

PRUDENTIAL BANCORP, INC.  
Form S-4  
July 22, 2016

As filed with the Securities and Exchange Commission on July 22, 2016

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

*UNDER THE SECURITIES ACT OF 1933*

Prudential Bancorp, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania

6036

46-2935427

(State or Other  
Jurisdiction

(Primary Standard Industrial  
Classification Code Number)

(I.R.S. Employer

of Incorporation or  
Organization)

Identification  
Number)

1834 West Oregon Avenue

**Philadelphia, PA 19145**

**(215) 755-1500**

**(Address, Including ZIP Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)**

**Dennis Pollack**

**President and Chief Executive Officer**

**Prudential Bancorp, Inc.**

**1834 West Oregon Avenue**

**Philadelphia, PA 19145**

**(215) 755-1500**

**(Name, Address, Including ZIP Code, and Telephone Number, Including Area Code, of Agent for Service)**

*Copies to:*

**Philip Ross Bevan, Esq.**

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**Suite 100**

**Suite 900**

**Washington, DC 20007**

**Washington, DC 20005**

**(202) 295-4500**

**(202) 508-5800**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the attached proxy statement/prospectus.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the "**Securities Act**"), check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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

Large accelerated filer "	Accelerated filer	x
Non-accelerated filer "(Do not check if a smaller reporting company)	Smaller reporting company "	

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross Border Third-Party Tender Offer)

**CALCULATION OF REGISTRATION FEE**

<b>Title of each class of securities to be registered</b>	<b>Amount to be registered<sup>(1)</sup></b>	<b>Proposed maximum offering price per share</b>	<b>Proposed maximum aggregate offering price<sup>(2)</sup></b>	<b>Amount of registration fee<sup>(3)</sup></b>
Common Stock, par value \$1.00	1,350,278	N/A	19,185,085	1,932

Represents the maximum number of shares of Prudential Bancorp, Inc. common stock estimated to be issuable upon completion of the merger described in the proxy statement/prospectus. This number is based on an exchange ratio of 0.7591 of a share of Prudential Bancorp, Inc. common stock per share of Polonia Bancorp, Inc. common stock up to an estimated maximum of 1,778,788 shares of Polonia Bancorp, Inc. common stock, including shares underlying outstanding stock options, pursuant to the terms of the Agreement and Plan of Merger, dated as of June 2, 2016, by and between Prudential Bancorp, Inc. and Polonia Bancorp, Inc., which is attached to the proxy statement/prospectus as Annex A.

Pursuant to Rules 457(c) and 457(f)(1) promulgated under the Securities Act and solely for the purpose of calculating the registration fee, the proposed aggregate maximum offering price is the product of (x) \$10.78 (the average of the bid and asked prices of Polonia common stock as reported on the OTC Pink Marketplace on July 18, 2016) and (y) 3,557,306, the estimated maximum number of shares of Polonia common stock, including shares underlying options, that may be exchanged upon completion of the merger, less the \$19,162,000 cash consideration to be paid by Prudential in connection with the merger.

(3) Computed based on a rate of \$100.70 per \$1,000,000 of the proposed maximum aggregate offering price.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.**

**PRELIMINARY—SUBJECT TO COMPLETION—DATED JULY 22, 2016**

**MERGER PROPOSED—YOUR VOTE IS VERY IMPORTANT**

Dear Shareholder of Polonia Bancorp, Inc.:

On June 2, 2016, Prudential Bancorp, Inc., or Prudential, and Polonia Bancorp, Inc., or Polonia, entered into an Agreement and Plan of Merger, which we refer to as the merger agreement, under which Polonia will merge with and into Prudential. In addition, under the merger agreement, simultaneously with the merger, Polonia Bank, a federally chartered savings bank and the wholly owned subsidiary of Polonia, will be merged with and into Prudential Savings Bank, or Prudential Bank, a Pennsylvania-chartered savings bank and the wholly owned subsidiary of Prudential.

If the merger is completed, Polonia shareholders will be entitled to elect to receive, for each share of Polonia common stock they own, subject to the election and adjustment procedures provided in the merger agreement and described in this proxy statement/prospectus, 0.7591 of a share of Prudential common stock or \$11.28 in cash, in each case subject to possible adjustment as more fully described in this proxy statement/prospectus. The election of shares of Prudential common stock or cash will be subject to proration such that 50% of the issued and outstanding shares of Polonia common stock will be exchanged for Prudential common stock and 50% of the issued and outstanding shares of Polonia common stock will be exchanged for cash. If more Polonia shareholders make valid elections to receive either shares of Prudential common stock or cash than is available as either stock or cash consideration pursuant to the terms of the merger agreement shareholders electing the over-subscribed form of merger consideration will have the over-subscribed consideration proportionately reduced and substituted with consideration in the other form.

The market value of the shares of Prudential common stock will fluctuate with the market price of Prudential common stock and will not be known at the time Polonia shareholders vote at its special meeting. The cash consideration is a fixed amount and will remain fixed regardless of any changes in the market value of the shares of Prudential common stock. The value of the stock consideration may be more or less than the value of the cash consideration at the time the election is made or at the completion of the merger.

Prudential's common stock trades on the NASDAQ Global Market under the symbol "PBIP." The table below presents the closing prices of Prudential common stock on June 1, 2016, the last trading day prior to the public announcement of the merger, and on [•], 2016, the last practicable trading day before the distribution of this proxy statement/prospectus. The table also presents the implied value for each share of Polonia common stock converted into shares of Prudential common stock on those dates, as determined by multiplying the closing price of Prudential common stock on those dates by the exchange ratio of 0.7591. This table also presents the implied value for each share of Polonia common stock converted into cash, based on the fixed cash consideration of \$11.28 per share.

**We urge you to obtain current market quotations for Prudential.**

	Prudential Common Stock	<b>Implied Value of One Share of Polonia Common Stock</b>	Value of the Cash Consideration for One Share of Polonia Common Stock
At June 1, 2016	\$ 14.91	\$ 11.32	\$ 11.28
At [•], 2016	\$ [•]	\$ [•]	\$ 11.28

**Your vote is important.** In order to complete the merger, shareholders of Polonia must approve and adopt the merger agreement. Approval and adoption of the merger agreement requires the affirmative vote of the holders of a majority of the votes cast by holders of Polonia common stock entitled to vote at the Polonia special meeting of shareholders.

Polonia will hold a special meeting of shareholders at 3993 Huntingdon Pike, 3<sup>rd</sup> Floor, Huntingdon Valley, PA, local time, on [ • ], 2016 at [ • ] a.m. to consider and vote on the approval and adoption of the merger agreement.

**Polonia’s board of directors unanimously recommends that Polonia shareholders vote “FOR” approval and adoption of the merger agreement and “FOR” the approval of the adjournment of the Polonia special meeting, if necessary, to solicit additional proxies in favor of that proposal.**

**Whether or not you plan to attend Polonia’s special meeting, your board of directors urges you to vote by completing, signing, dating and returning the enclosed proxy card as soon as possible in the enclosed postage-paid envelope, by calling the toll-free telephone number or by using the Internet as described in the instructions included with your proxy card.** This will not prevent you from voting in person at Polonia’s special meeting, but will assure that your vote is counted if you are unable to attend. If you are a shareholder whose shares are not registered in your own name, you will need additional documentation from your bank, broker, nominee or other holder of record in order to vote in person at the special meeting.

This proxy statement/prospectus provides you with detailed information about the merger agreement, the merger and the proposals to be voted on at the Polonia special meeting. In addition to being a proxy statement of Polonia, this proxy statement/prospectus also is the prospectus of Prudential for the shares of Prudential common stock that will be issued to Polonia shareholders in connection with the merger.

**We urge you to read this entire proxy statement/prospectus, including the Annexes hereto, and the documents incorporated by reference herein, carefully because they contain important information about the merger agreement, the merger and the proposals to be voted on at the Polonia special meeting. In particular, you should read carefully the information under the section entitled “Risk Factors” beginning on page [ • ]. You can also obtain information about Prudential from documents that Prudential files with the Securities and Exchange Commission, referred to as the SEC in this document.**

If you have any questions regarding the accompanying proxy statement/prospectus, you may contact \_\_\_\_\_, Polonia’s proxy solicitor, by calling toll free at \_\_\_\_\_.

Sincerely,

[SIGNATURE]

Joseph T. Svetik

President and Chief Executive Officer

Polonia Bancorp, Inc.

**None of the SEC, any state securities commission, or any bank or other regulatory body has approved or disapproved of the securities to be issued in the merger or passed upon the accuracy or adequacy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

**The shares of Prudential common stock to be issued to Polonia shareholders in connection with the merger are not deposits or savings accounts or other obligations of any bank or savings association, and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.**

The date of this proxy statement/prospectus is [ • ], 2016, and it is first being mailed or otherwise delivered to Polonia shareholders on or about [ • ], 2016.



**POLONIA BANCORP, INC.**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON [ • ], 2016**

To the Shareholders of Polonia Bancorp, Inc.:

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of Polonia Bancorp, Inc., or Polonia, will be held on [ • ], 2016 at [ • ] local time at 3993 Huntingdon Pike, 3<sup>rd</sup> Floor, Huntingdon Valley, PA, to consider and vote upon the following matters:

1. A proposal to adopt and approve the Agreement and Plan of Merger dated as of June 2, 2016, by and between Prudential and Polonia, as may be amended from time to time, pursuant to which Polonia will merge with and into Prudential, as more fully described in the attached proxy statement/prospectus, which we refer to as the merger proposal; and

2. A proposal to authorize the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the proposal to adopt and approve the merger agreement, which we refer to as the adjournment proposal.

We have fixed the close of business on [ • ], 2016 as the record date for determining those Polonia shareholders entitled to notice of, and to vote at, the Polonia special meeting and any adjournments or postponements of the Polonia special meeting. Only Polonia shareholders of record at the close of business on that date are entitled to vote at the Polonia special meeting and any adjournments or postponements of the Polonia special meeting.

Approval of the proposal to adopt and approve the merger agreement requires the affirmative vote of the holders of a majority of the total number of shares of Polonia common stock outstanding and entitled to vote at the Polonia special meeting. Approval of the adjournment proposal requires the affirmative vote of a majority of the votes cast by holders of Polonia common stock outstanding and entitled to vote thereon.

Shareholders of Polonia have the right to dissent and obtain payment of the fair value of their shares if the merger is completed, but only if they comply with all requirements of Sections 3-201 through 3-213 of the Maryland General Corporation Law (“MGCL”). A copy of Sections 3-201 through 3-213 of the MGCL is included as Annex C to the accompanying proxy statement/prospectus and a summary of these provisions can be found under “The Merger – Dissenters’ Rights” in the accompanying proxy statement/prospectus.

**Whether or not you intend to attend the Polonia special meeting, please vote as soon as possible by signing and returning the enclosed proxy card in the postage-paid envelope provided, by calling the toll-free telephone number or by using the Internet as described in the instructions included with your proxy card. If your shares are held in “street name” through a bank, broker, nominee or other holder of record, please follow the instructions on the voting instruction card provided by such person. If you attend the Polonia special meeting, you may vote in person if you wish, even if you have previously returned your proxy card. If you wish to attend the Polonia special meeting and vote in person and your shares are held in “street name” through a bank, broker, nominee or other holder of record, you must bring with you a proxy or letter from the bank, broker, nominee or other holder of record to confirm your beneficial ownership of the shares.**

Polonia’s board of directors has approved the merger agreement. Polonia’s board of directors recommends that Polonia shareholders vote “FOR” approval of the proposal to adopt and approve the merger agreement and “FOR” the proposal to authorize the adjournment of the Polonia special meeting, if necessary or appropriate, to solicit additional proxies to approve the proposal to adopt and approve the merger agreement.

The enclosed proxy statement/prospectus provides a detailed description of the Polonia special meeting, the merger, the merger agreement and other documents related to the merger and other related matters. We urge you to read the proxy statement/prospectus, including the attached Annexes and any documents incorporated in the proxy statement/prospectus by reference, carefully and in their entirety.

BY ORDER OF THE BOARD OF DIRECTORS,

Paul D. Rutkowski, Corporate Secretary  
Huntingdon Valley, Pennsylvania  
[ • ], 2016

## ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Prudential that is not included in or delivered with this proxy statement/prospectus. You can obtain any of the documents filed with or furnished to the U.S. Securities and Exchange Commission, which we refer to as the SEC, pursuant to the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, by Prudential at no cost from the SEC's website at <http://www.sec.gov>. You may also request copies of these documents, including documents incorporated by reference in this proxy statement/prospectus, at no cost by contacting Prudential at the following address:

**Prudential Bancorp, Inc.**

**1834 West Oregon Avenue**

**Philadelphia, PA 19145**

**(215) 755-1500**

**Attention: Corporate Secretary**

**You will not be charged for any of these documents that you request. If you would like to request documents from Prudential, you must do so no later than five business days before the date of Polonia's special meeting to ensure timely delivery. This means Polonia shareholders requesting documents must do so by [ • ], 2016, in order to receive them before Polonia's special meeting.**

If you have any questions concerning the merger or this proxy statement/prospectus, would like additional copies of this proxy statement/prospectus or need help voting your shares of Polonia common stock, please contact Paul D. Rutkowski, Chief Financial Officer and Corporate Secretary, Polonia Bancorp, Inc. at (215) 938-8800.

See "Where You Can Find More Information" on page 142.

## ABOUT THIS DOCUMENT

This document, which forms part of a registration statement on Form S-4 filed by Prudential with the SEC (File No. 333- ) under the Securities Act of 1933, as amended, which we refer to as the Securities Act, constitutes a

prospectus of Prudential with respect to the shares of Prudential common stock to be issued to Polonia shareholders in connection with the proposed merger. This document also constitutes a proxy statement of Polonia in connection with its special meeting of shareholders. This document also provides the notice of the special meeting Polonia in accordance with state law with respect to its special meeting at which shareholders will consider and vote on the proposals described in the Polonia notice.

You should rely only on the information contained in this document. We have not authorized anyone to provide you with information that is different from that contained in this document. This document is dated [ • ], 2016. You should not assume that the information contained in this document is accurate as of any date other than that date. Neither the mailing of this document to Polonia shareholders nor the issuance by Prudential of its shares in connection with the merger will create any implication to the contrary.

**This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Except where the context otherwise indicates, information contained in this document regarding Prudential has been provided by Prudential and information contained in this document regarding Polonia has been provided by Polonia.**

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**QUESTIONS AND ANSWERS ABOUT THE MERGER AND the SPECIAL MEETING**

*The following questions and answers briefly address some commonly asked questions about the merger and the Polonia special meeting of shareholders. They may not include all the information that may be important to you. You should read carefully the entire document, including the Annexes, and any additional documents incorporated by reference into this proxy statement/prospectus to fully understand the merger agreement and the transactions contemplated thereby, including the merger, the issuance of shares of Prudential common stock in connection with the merger, the proposals to be considered and voted on by Polonia shareholders, and the voting procedures for the Polonia special meeting of shareholders.*

In this proxy statement/prospectus, we generally refer to Prudential Bancorp, Inc. as “Prudential,” Prudential Savings Bank, a Pennsylvania-chartered savings bank and wholly owned subsidiary of Prudential, as “Prudential Bank,” Polonia Bancorp, Inc. as “Polonia” and Polonia Bank, a federally chartered savings bank and wholly owned subsidiary of Polonia, as “Polonia Bank.”

**Q: What is the merger?**

**A:** On June 2, 2016, Prudential and Polonia entered into an Agreement and Plan of Merger, which we refer to as the merger agreement. Pursuant to the merger agreement, Polonia will merge with and into Prudential, with Prudential surviving the merger. We refer to this transaction as the merger. Also under the merger agreement, substantially simultaneously with the merger, Polonia Bank will be merged with and into Prudential Bank with Prudential Bank being the survivor of the merger, which we refer to as the bank subsidiary merger. A copy of the merger agreement is attached to this proxy statement/prospectus as Annex A and is incorporated by reference herein.

**Q: Why am I receiving this proxy statement/prospectus?**

**A:** We are delivering this document to you because it is a proxy statement being used by the Polonia board of directors to solicit proxies from its shareholders in connection with approval of the proposals described herein.

In order to consider and approve the proposals, Polonia has called a special meeting of its shareholders, which we refer to as the Polonia special meeting. This document serves as a proxy statement for Polonia special meeting and describes the proposals to be presented and voted on at the special meeting. The enclosed voting materials allow shareholders to vote their shares without attending the Polonia special meeting in person.

This document also is a prospectus that is being delivered by Prudential to Polonia shareholders because Prudential is offering shares of its common stock to Polonia shareholders in connection with the merger.

**Q: What proposals am I being asked to vote on?**

Polonia’s shareholders are being asked to approve and adopt the merger agreement and the transactions contemplated thereby, including the merger.

In addition, Polonia shareholders are being asked to approve a proposal to adjourn the Polonia special meeting, if necessary or appropriate, to solicit additional proxies in favor of the approval and adoption of the merger agreement.

**Q: What will Polonia shareholders receive in the merger?**

**A:** If the merger is completed, Polonia shareholders will be entitled to elect to receive, for each share of Polonia common stock they own, subject to the election and adjustment procedures described in greater detail herein, either 0.7591 of a share of Prudential common stock, which we refer to as the stock consideration, or \$11.28 in cash, which we refer to as the cash consideration, subject to adjustment in certain situations as described in greater detail in this proxy statement/prospectus. The election of shares of Prudential common stock or cash will be subject to proration such that 50% of the issued and outstanding



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shares of Polonia common stock will be exchanged for Prudential common stock and 50% will be exchanged for cash. As a result, if the aggregate number of shares with respect to which a valid stock or cash election has been made exceeds these limits, shareholders who have elected the form of consideration that has been oversubscribed will receive a mixture of both stock and cash consideration in accordance with the pro ration procedures set forth in the merger agreement. The exchange ratio of 0.7591 of a share of Prudential common stock for a share of Polonia common stock and the cash consideration of \$11.28 per share are subject to downward adjustment if the adjusted consolidated stockholders' equity of Polonia, as determined in accordance with the merger agreement, is less than \$37,401,000 (the amount of Polonia's consolidated stockholders' equity as of April 30, 2016) as of the end of the month following receipt of all shareholder and regulatory approvals. The exchange ratio and the cash consideration are subject to upward adjustment to reflect recoveries or reversals of liabilities with respect to certain litigation matters and termination of certain benefit arrangements with Polonia's former chief executive officer. See "The Merger Agreement – Consideration to be Received in the Merger" for an explanation of the possible price adjustment.

**Q: How do I make an election to receive Prudential common stock or cash for my Polonia common stock?**

Each holder of record of Polonia common stock will be mailed a form of election/letter of transmittal and other appropriate and customary transmittal materials not more than 40 business days and not less than 20 business days prior to the election deadline. The deadline for holders of Polonia common stock to elect the form of the merger consideration they want to receive is the later of (i) the date of the special meeting of Polonia shareholders and (ii) the date which Prudential and Polonia agree is five business days prior to the anticipated effective time of the merger, which we refer to as the election deadline. The election form will specify the election deadline. Each holder of Polonia common stock should specify in the election form (1) the number of shares of Polonia common stock which such shareholder elects to have exchanged for the stock consideration, and (2) the number of shares of

**A:** Polonia common stock such shareholder elects to have exchanged for the cash consideration. All such elections are subject to adjustment on a pro rata basis as described elsewhere in this proxy statement/prospectus. Holders of Polonia common stock will receive their merger consideration as promptly as practicable following the effective time of the merger, subject to the holders submitting their properly completed letter of transmittal and other transmittal materials. Because of the way the election and proration procedures work, even if you submit a properly completed and signed election form, it is possible that you may not receive exactly the type of merger consideration you have elected. If you do not submit a properly completed and signed election form to the exchange agent by the election deadline, you will have no control over the type of merger consideration you will receive and, as a result, you may receive only cash, only shares of Prudential common stock or a combination of cash and shares of Prudential common stock in the merger.

If you hold shares in "street name" through a bank, broker, nominee or other holder of record you must follow the instructions provided by the bank, broker, nominee or other holder of record to make an election.

**Q: Am I guaranteed to receive the type of merger consideration that I elect?**

No. If more Polonia shareholders make valid elections to receive either shares of Prudential common stock or cash than is available as either stock or cash consideration pursuant to the terms of the merger agreement, Polonia shareholders electing the over-subscribed form of merger consideration will have the over-subscribed

**A:** consideration proportionately reduced and substituted with consideration in the other form. Please see "The Merger Agreement – Consideration to be Received in the Merger" and "– Proration Procedures" beginning on page [•] and page [•], respectively, for additional information about the allocation and proration procedures that will be followed in the event of over-subscriptions.

**Q: What happens if I fail to make a valid election as to whether to receive stock or cash?**

**A:** If a Polonia shareholder does not return a properly completed form of election by the election deadline, such holder's shares of Polonia common stock will be considered "non-election shares" and will be converted into the right to receive the stock consideration or the cash consideration according to the proration procedures set forth in the merger agreement. Any shareholder who has not submitted their

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physical stock certificate(s) with a form of election will be sent materials after the merger closes to effect the exchange of their Polonia common stock into the merger consideration.

**Q: Will the value of the merger consideration change between the date of this proxy statement/prospectus and the time the merger is completed?**

A: The value of the cash consideration is fixed at \$11.28 per share, subject to adjustment in certain situations. However, the value of the stock consideration will fluctuate as the market price of Prudential common stock fluctuates before the completion of the merger. The market price of Prudential common stock at the completion of the merger may be more or less than the current price of Prudential common stock or the price of Prudential common stock at the time of the special meeting or at the time an election is made, and the value of the stock consideration may be more or less than the value of the cash consideration at the completion of the merger. Based on the average closing stock price of Prudential common stock on the NASDAQ Global Market for the twenty trading days ending on June 1, 2016, the last full trading day before the execution of the merger agreement, of \$14.86, the value of the stock consideration was \$11.28. Based on the closing stock price of Prudential common stock on the NASDAQ Global Market on June 1, 2016, of \$14.91, the value of the stock consideration was \$11.32. Based on the closing stock price of Prudential common stock on the NASDAQ Global Market on [•], 2016, the latest practicable date before the mailing of this proxy statement/prospectus, of \$[•], the value of the stock consideration was \$[•]. We urge you to obtain current market quotations for shares of Prudential common stock and Polonia common stock.

**Q: How will the merger affect holders of Polonia restricted stock awards and options to purchase shares of Polonia common stock?**

A: If the merger is completed, options to purchase Polonia common stock outstanding at the effective time of the merger will be exchanged for a cash payment equal to the difference between the per share cash consideration payable by Prudential pursuant to the merger agreement and the corresponding exercise price of each such outstanding option, subject to receipt of any required regulatory approval or non-objection. If the merger is completed, each outstanding and unvested restricted stock award previously granted under Polonia's equity plans will become fully vested, subject to the receipt of any required regulatory approval or non-objection, and be converted into the right to receive the merger consideration for the vested shares of Polonia common stock in accordance with the merger agreement.

**Q: What are the federal income tax consequences of the merger?**

A: The merger has been structured to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Internal Revenue Code. It is a condition to the completion of the merger that each of Prudential and Polonia receive a written opinion from its respective legal counsel to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. The federal income tax consequences of the merger to shareholders of Polonia will depend primarily on whether they exchange their shares of Polonia common stock solely for shares of Prudential common stock, solely for cash or for a combination of shares of Prudential common stock and cash. It is expected that Polonia shareholders will not recognize gain or loss for U.S. federal income tax purposes upon the exchange of their shares of Polonia common stock for shares of Prudential common stock pursuant to the merger, except with respect to any cash received by a Polonia shareholder in exchange for shares of common stock or in lieu of a fractional share of Prudential common stock. Polonia shareholders who exchange their shares solely for cash should recognize gain or loss on the exchange. Polonia shareholders who exchange their shares for a combination of Prudential common stock and cash should recognize gain, but not any loss, on the exchange. The actual federal

income tax consequences to Polonia shareholders of electing to receive cash, shares of Prudential common stock or a combination of cash and stock will not be ascertainable at the time Polonia shareholders make their election because it will not be known at that time how, or to what extent, the allocation and proration procedures will apply, nor will the actual values of the stock consideration and the cash consideration be known at that time.

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**This tax treatment may not apply to all Polonia shareholders. Determining the actual tax consequences of the merger to Polonia shareholders can be complicated. Polonia shareholders should consult their own tax advisor for a full understanding of the merger's tax consequences that are particular to them.** Please see "Material United States Federal Income Tax Consequences of the Merger" beginning on page [•] for further discussion of the material U.S. federal income tax consequences of the merger.

**Q: Does Polonia's board of directors recommend that Polonia shareholders approve and adopt the merger agreement?**

**A:** Yes. Polonia's board of directors has approved and determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are in the best interests of Polonia's shareholders. Polonia's board of directors unanimously recommends that Polonia's shareholders vote "FOR" approval and adoption of the merger agreement at the Polonia special meeting. Please see "The Merger – Polonia's Reasons for the Merger" beginning on page [•] for a more detailed discussion regarding the information and factors considered by Polonia's board of directors in approving the merger and making its recommendation.

In connection with Polonia's entry into the merger agreement, Polonia's directors and certain executive officers entered into voting agreements that require, among other things, the directors and certain executive officers to vote in favor of the approval and adoption of the merger agreement at the Polonia special meeting. As of the record date for the Polonia special meeting, these directors and certain executive officers of Polonia had the right to vote 187,511 shares of Polonia common stock, or approximately 5.6% of the outstanding Polonia common stock entitled to be voted at the Polonia special meeting.

**Q: When and where is the Polonia special meeting?**

**A:** The Polonia special meeting will be held at 3993 Huntingdon Pike, 3<sup>rd</sup> Floor, Huntingdon Valley, PA on [•] 2016, at [•] local time.

**Q: Who can vote at the Polonia special meeting?**

**A:** Only holders of record of Polonia common stock at the close of business on [•] 2016, the record date for the Polonia special meeting, will be entitled to vote at the Polonia special meeting.

**Q: What do I need to do now?**

After you have carefully read this proxy statement/prospectus, including the Annexes hereto and any information or documents incorporated by reference herein, and have decided how you wish to vote your shares, please vote your shares promptly. If you hold common stock in your name as a shareholder of record, please vote by

**A:** completing, signing, dating and returning the enclosed proxy card as soon as possible in the enclosed postage-paid envelope, by calling the toll-free telephone number or by using the Internet as described in the instructions included with your proxy card. If you hold your stock in "street name" through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker.

**Q: Why is my vote important?**

**A:** The merger cannot be completed unless the merger agreement is approved by the Polonia shareholders. If you fail to submit a proxy or vote in person at the special meeting, or vote to abstain, or you do not provide your bank, brokerage firm or other nominee with voting instructions, as applicable, this will have the same effect as a vote

“against” the approval of the merger agreement. The Polonia board unanimously recommends that shareholders vote “**FOR**” the proposal to approve the merger agreement.

**Q: What constitutes a quorum for Polonia special meeting?**

**A:** The presence, in person or by proxy, at the Polonia special meeting of shareholders of at least a majority of

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the issued and outstanding shares of Polonia common stock entitled to vote at the special meeting, will constitute a quorum for each respective proposal. Abstentions and broker non-votes are counted as present for the purpose of determining whether a quorum is present.

**Q: What is the vote required to approve each proposal at the Polonia special meeting?**

Approval and adoption of the merger agreement requires the affirmative vote of the holders of a majority of the total number of shares of Polonia common stock outstanding and entitled to vote at the Polonia special meeting. If

**A:** you fail to submit a proxy or vote in person at the special meeting, or vote to abstain, or you do not provide your bank, brokerage firm or other nominee with voting instructions, as applicable, this will have the same effect as a vote “against” the approval of the merger agreement.

Approval of the Polonia adjournment proposal requires the affirmative vote of a majority of the votes cast by holders of Polonia common stock entitled to vote at the Polonia special meeting. A failure to vote by a Polonia shareholder entitled to vote, an abstention from voting or a broker non-vote will have no effect on the outcome of the vote to approve the adjournment proposal.

Please note that if you make no specification on your proxy card as to how you want your Polonia shares voted before signing and returning it, your proxy will be voted as recommended by the board of directors of Polonia.

**Q: What is the difference between holding shares as a shareholder of record and as a beneficial owner?**

If your shares of Polonia common stock are registered directly in your name with Polonia’s transfer agent,

**A:** Computershare Inc., you are considered the shareholder of record with respect to those shares. As the shareholder of record, you have the right to vote, to grant a proxy for your vote directly to Polonia or to a third party to vote at the special meeting.

If your shares are held by a bank, brokerage firm or other nominee, you are considered the beneficial owner of shares held in “street name,” and your bank, brokerage firm or other nominee is considered the shareholder of record with respect to those shares. Your bank, brokerage firm or other nominee will send you, as the beneficial owner, a package describing the procedure for voting your shares. You should follow the instructions provided by them to vote your shares. You are invited to attend the special meeting; however, you may not vote these shares in person at the special meeting unless you obtain a “legal proxy” from your bank, brokerage firm or other nominee that holds your shares, giving you the right to vote the shares at the special meeting.

**Q: If my shares of common stock are held in “street name” by my broker, bank or other nominee, will my broker, bank or other nominee automatically vote my shares for me?**

No. If you own your shares in “street name,” your broker, bank or other nominee cannot vote your shares without instructions from you. You should instruct your broker, bank or other nominee as to how to vote your shares,

**A:** following the directions your broker, bank or other nominee provides to you. Please check the voting form used by your broker, bank or other nominee.

**Q: Can I attend the special meeting and vote my shares in person?**

**A:** Yes. All Polonia shareholders who hold shares as of the record date for the Polonia special meeting, including Polonia shareholders of record and Polonia shareholders who hold their shares through banks, brokers, nominees or any other holder of record, may attend the Polonia special meeting. Holders of record of Polonia common stock

may attend the special meeting in person and also may cast their votes as the special meeting. If you are not a Polonia shareholder of record, you must obtain a proxy or letter, executed in your favor, from the record holder of your shares of common stock (such as your broker, bank or other nominee), to be able to vote in person at the Polonia special meeting. If you plan to attend the Polonia special meeting, you must hold your shares of common stock in your own name or have a proxy or letter from the record holder of your shares of common stock confirming your ownership.



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**Q: Can I change my vote?**

Yes. A Polonia shareholder who has submitted a proxy may revoke it at any time before its exercise at the Polonia special meeting by (i) giving written notice of revocation to Polonia's Corporate Secretary, (ii) properly submitting to Polonia a duly executed proxy bearing a later date or (iii) attending the Polonia special meeting and voting in person. Any Polonia shareholder entitled to vote in person at the Polonia special meeting may vote in person regardless of whether a proxy has been previously given, and such vote will revoke any previous proxy. Please note, however, that simply attending the Polonia special meeting will not revoke a previously-given proxy – you must cast a new vote at the Polonia special meeting in order to revoke your prior vote.

All written notices of revocation and other communications with respect to revocation of Polonia proxies should be addressed to Polonia as follows: Paul D. Rutkowski, Corporate Secretary, 3993 Huntingdon Pike, 3<sup>rd</sup> Floor, Huntingdon Valley, PA 19006.

**Q: What should I do if I receive more than one set of voting materials?**

Shareholders may receive more than one set of voting materials, including multiple copies of this proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold such shares. If you are a holder of record of shares and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive or otherwise follow the voting instructions set forth in this proxy statement/prospectus to ensure that you vote every share of Polonia common stock that you own.

**Q: Do I have appraisal or dissenters' rights?**

Yes. Under Maryland law, Polonia shareholders have the right to dissent from the merger and receive a payment in cash for the "fair value" of their shares of Polonia common stock as determined by an appraisal process. This value may be more or less than the value you would receive in the merger if you do not dissent. If you dissent, you will receive a cash payment for the value of your shares that will be fully taxable to you. Maryland law requires dissenting shareholders to follow certain statutory procedures in order to perfect your dissenters' rights. Please see "The Merger – Dissenters' Rights" beginning on page [•] and the Maryland statutory provisions provided in Annex C.

**Q: When do you expect to complete the merger?**

Prudential and Polonia expect to complete the merger in the fourth quarter of 2016. However, we cannot assure you when or if the merger will be completed. Among other things, we cannot complete the merger until we obtain the approvals being sought from Polonia shareholders at the Polonia special meeting and until we obtain certain regulatory approvals.

**Q: What happens if the merger is not completed?**

If the merger is not completed, holders of Polonia common stock will not receive any consideration for their shares in connection with the merger, and Polonia will remain an independent company and will continue to own Polonia Bank.

If the merger agreement is terminated in certain circumstances, a termination fee may be required to be paid by Polonia. Please see "The Merger Agreement – Termination Fee" beginning on page [•] for a complete discussion of

the circumstances under which a termination fee will be required to be paid.

**Q: What happens if I sell my shares of Polonia common stock before the special meeting?**

**A:** The record date is earlier than both the date of the special meeting and the effective time of the merger. If you transfer your shares of Polonia common stock after the record date but before the special meeting, you

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will, unless the transferee requests a proxy from you, retain your right to vote at the special meeting but will transfer the right to receive the per share merger consideration to the person to whom you transfer your shares. In order to receive the per share merger consideration, you must hold your shares at the effective time of the merger.

**Q: Should I send my Polonia share certificates with my proxy card or before the Polonia special meeting?**

**A:** No. You should **NOT** send your Polonia share certificates with your proxy card or at any time prior to the Polonia special meeting. Prudential, through its appointed exchange agent, will send Polonia shareholders instructions for exchanging Polonia share certificates for the merger consideration.

**Q: Whom may I contact if I cannot locate my Polonia share certificate(s)?**

**A:** If you are unable to locate your original Polonia share certificate(s), you should contact Computershare Trust Company, N.A., Polonia's transfer agent, at (800) 368-5948.

**Q: Are there any risks that I should consider in deciding whether to vote for the approval of the merger agreement?**

Yes. You should read and carefully consider the risk factors set forth in the section entitled "Risk Factors" beginning on page [•] of this proxy statement/prospectus. You also should read and carefully consider the risk factors of Prudential contained in the documents that are incorporated by reference into this proxy statement/prospectus. See the section entitled "Where You Can Find More Information" beginning on page [•] of this proxy statement/prospectus.

**Q: Whom should I call with questions about the special meeting, the proposals or the merger?**

**A:** If you have additional questions about the merger, need assistance in submitting your proxy or voting your shares of Polonia common stock, or need additional copies of this proxy statement/prospectus or the enclosed proxy card, please contact [•], Polonia's proxy solicitor, at [•].

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**SUMMARY**

*This summary highlights selected information from this proxy statement/prospectus. It may not contain all the information that is important to you. You should read carefully the entire document, including the Annexes, and the additional documents we refer you to in order to fully understand the merger agreement and the transactions contemplated thereby, including the merger, the proposals to be considered and voted on by Polonia shareholders, and the voting procedures for the Polonia special meeting of shareholders. See “Where You Can Find More Information” on page [•]. Each item included in this summary refers to the page of this proxy statement/prospectus where that subject is discussed in more detail.*

**The Parties to the Merger (page [•])**

Prudential Bancorp, Inc.  
1834 West Oregon Avenue  
Philadelphia, PA 19145  
(215) 755-1500

Prudential Bancorp, Inc., a Pennsylvania corporation, is a bank holding company whose bank subsidiary, Prudential Savings Bank, or Prudential Bank, is a Pennsylvania-chartered savings bank headquartered in Philadelphia, Pennsylvania with six full-service branch locations. Founded in 1886, Prudential Bank’s primary business consists of attracting deposits from the general public and using those funds, together with funds it borrows, to originate loans to its customers and invest in securities such as U.S. government and agency securities and mortgage-backed securities. At March 31, 2016, Prudential had total assets of \$537.5 million, total deposits of \$384.1 million and stockholders’ equity of \$112.3 million.

Prudential’s common stock trades on the NASDAQ Global Market under the symbol “PBIP.”

Polonia Bancorp, Inc.  
3993 Huntingdon Pike, 3<sup>rd</sup> Floor  
Huntingdon Valley, PA 19006  
(215) 938-8000

Polonia, a Maryland corporation, is a savings and loan holding company. Its primary subsidiary, Polonia Bank, operates as a community-oriented financial institution dedicated to serving the financial services needs of consumers and businesses within its market areas. Polonia Bank is engaged primarily in the business of attracting deposits from the general public and using such funds to originate loans. Polonia Bank also maintains an investment portfolio. At March 31, 2016, Polonia had total assets of \$287.7 million, total deposits of \$187.1 million and stockholders' equity of \$37.5 million.

**The Merger and the Merger Agreement (page [•])**

On June 2, 2016, Prudential and Polonia entered into an Agreement and Plan of Merger, or the merger agreement, under which Polonia will merge with and into Prudential, with Prudential surviving the merger. Upon completion of the merger, the separate existence of Polonia will terminate and Polonia common stock will no longer be outstanding. Also under the merger agreement, substantially simultaneously with the merger, Polonia Bank will be merged with and into Prudential Bank, with Prudential Bank as the surviving entity in the bank subsidiary merger. Completion of the merger is subject to a variety of conditions, including adoption and approval of the merger agreement by Polonia shareholders. We currently expect to complete these mergers during the fourth quarter of 2016. The merger agreement is attached to this proxy statement/prospectus as Annex A and is incorporated by reference herein.

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**In the Merger, Polonia Shareholders Will Have a Right to Receive Shares of Prudential Common Stock, Cash or a Combination of Shares of Prudential Common Stock and Cash (page [•])**

Under the terms of the merger agreement, Polonia shareholders will be entitled to elect to receive, for each share of Polonia common stock they own, either 0.7591 of a share of Prudential common stock or \$11.28 in cash, subject to adjustment in certain situations. The election of shares of Prudential common stock or cash by Polonia shareholders will be subject to proration such that 50% of the issued and outstanding shares of Polonia common stock will be exchanged for Prudential common stock and 50% will be exchanged for cash. If more Polonia shareholders make valid elections to receive either shares of Prudential common stock or cash than is available as either stock or cash consideration pursuant to the terms of the merger agreement, Polonia shareholders electing the over-subscribed form of merger consideration will receive a mixture of both stock and cash consideration in accordance with the pro ration procedures set forth in the merger agreement.

Prudential will not issue any fractional shares of its common stock in the merger. Polonia shareholders who would otherwise be entitled to a fractional share of Prudential common stock will instead receive an amount in cash (rounded to the nearest cent), determined by multiplying (1) the fraction of a share (after taking into account all shares of Polonia common stock held by such shareholder at the effective time of the merger and rounded to the nearest thousandth when expressed in decimal form) of Prudential common stock to which such holder would otherwise have been entitled to receive, and (2) the quotient obtained by dividing (x) the per share cash consideration by (y) the exchange ratio (subject to adjustment under certain circumstances). For purposes of determining any fractional share interest, all shares of Polonia common stock owned by a Polonia shareholder shall be combined so as to calculate the maximum number of whole shares of Prudential common stock issuable to such Polonia shareholder pursuant to the merger agreement.

The value of the cash consideration is fixed at \$11.28 per share, subject to adjustment in certain situations. However, the value of the stock consideration will fluctuate as the market price of Prudential common stock fluctuates before the completion of the merger. The market price of Prudential common stock at the completion of the merger may be more or less than the current price of Prudential common stock or the price of Prudential common stock at the time of the special meeting or at the time an election is made, and the value of the stock consideration may be more or less than the value of the cash consideration at the completion of the merger.

Set forth below is a table showing the value of the cash consideration and the hypothetical implied value of the stock consideration based on a range of market prices for Prudential common stock. The table does not reflect the fact that cash will be paid instead of fractional shares.

**Prudential Common Stock    Polonia Common Stock**

Hypothetical Closing Prices	Cash Election OR Stock Election:		Stock Consideration Per Share	
	Cash Consideration Per Share	OR	Shares of Prudential Common Stock	
			Hypothetical Implied Value(*)	
\$ 12.00	\$ 11.28		0.7591	\$ 9.11
12.50	11.28		0.7591	9.49
13.00	11.28		0.7591	9.87
13.50	11.28		0.7591	10.25
14.00	11.28		0.7591	10.63
14.50	11.28		0.7591	11.01
14.86	11.28		0.7591	11.28
15.00	11.28		0.7591	11.39
15.50	11.28		0.7591	11.77
16.00	11.28		0.7591	12.15
16.50	11.28		0.7591	12.53
17.00	11.28		0.7591	12.90

Hypothetical implied value based on hypothetical closing price on the NASDAQ Global Market of Prudential common stock. The price information in bold reflects the average closing stock price of Prudential common stock on the NASDAQ Closing Market for the twenty trading days ending on June 1, 2016, the last full trading day before the execution of the merger agreement.

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The examples above are illustrative only. The value of the stock consideration that a Polonia shareholder actually receives will be based on the actual closing price on the NASDAQ Global Market of Prudential common stock upon completion of the merger, which may be outside the range of the amounts set forth above, and as a result, the actual value of the stock consideration per share of Polonia common stock may not be shown in the above table.

**What Holders of Polonia Stock Options Will Receive (page [•])**

Under the terms of the merger agreement, upon completion of the merger, the outstanding and unexercised stock options to acquire Polonia common stock, will be exchanged for a cash payment equal to the difference between the per share cash consideration payable by Prudential to Polonia shareholders pursuant to the merger agreement and the corresponding exercise price of each such outstanding option, subject to prior receipt of any required regulatory approval or non-objection.

**Treatment of Polonia Restricted Stock Awards in the Merger (page [ • ])**

Under the terms of the merger agreement, upon completion of the merger, each outstanding and unvested restricted stock award previously granted by Polonia will become fully vested and be converted into the right to receive the merger consideration for the vested shares of Polonia common stock covered by such award, subject to the prior receipt of any required regulatory approval or non-objection.

**In Order To Make a Valid Election, Polonia Shareholders Must Properly Complete and Deliver the Election Form (page [•])**

Polonia shareholders will receive separately an election form, including transmittal materials, with instructions for making cash and stock elections. Polonia shareholders must properly complete and deliver the election form to the exchange agent. The election form is not the same as the Polonia proxy card – it is a separate form.

**The Merger Is Intended to Be Tax-Free to Polonia Shareholders as to the Shares of Prudential Common Stock They Receive (page [•])**



The merger is intended to be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Internal Revenue Code. One of the conditions to the respective obligations of Prudential and Polonia to complete the merger is that each of Prudential and Polonia receives an opinion from its respective legal counsel to that effect.

The federal income tax consequences of the merger to Polonia shareholders will depend on the merger consideration received – cash, shares of Prudential common stock, or a combination thereof. It is expected that Polonia shareholders exchanging shares of Polonia common stock solely for shares of Prudential common stock will not recognize gain or loss for U.S. federal income tax purposes upon the exchange of their shares of Polonia common stock for shares of Prudential common stock pursuant to the merger, except with respect to any cash received by a Polonia shareholder in lieu of fractional shares of Prudential common stock. Polonia shareholders exchanging shares of Polonia common stock solely for cash consideration generally will recognize gain or loss for federal income tax purposes in an amount equal to the difference between the cash received and the particular shareholder's adjusted tax basis in the shares of Polonia common stock. Polonia shareholders exchanging shares of Polonia common stock for a combination of cash and shares of Prudential common stock generally will not recognize loss but will recognize gain, if any, equal to the lesser of (1) the excess, if any, of the sum of the cash received and the fair market value of the Prudential common stock received pursuant to the merger over that shareholder's adjusted tax basis in his or her shares of Polonia common stock surrendered, and (2) the amount of cash consideration received by that shareholder pursuant to the merger.

This tax treatment may not apply to all Polonia shareholders. Determining the actual tax consequences of the merger to Polonia shareholders can be complicated. Polonia shareholders should consult their own tax advisor for a full understanding of the merger's tax consequences that are particular to them.

Table of Contents**Comparative Market Prices of Securities (page [•])**

Prudential's common stock trades on the NASDAQ Global Market under the symbol "PBIP." Polonia's common stock trades on the OTC Pink Marketplace under the symbol "PBCP." The table below presents the closing prices of Prudential common stock on June 1, 2016, the last trading day prior to the public announcement of the merger, and on [•], 2016, the last practicable trading day before the distribution of this proxy statement/prospectus. The table also presents the implied value for each share of Polonia common stock converted into shares of Prudential common stock on those dates, as determined by multiplying the closing price of Prudential common stock on those dates by the exchange ratio of 0.7591. This table also presents the value of the cash consideration proposed for each share of Polonia common stock converted into the cash consideration, which will remain a fixed amount regardless of any change in the market value of the stock consideration.

	<b>Prudential Common Stock</b>	<b>Implied Value of One Share of Polonia Common Stock</b>	<b>Value of the Cash Consideration for One Share of Polonia Common Stock</b>
At June 1, 2016	\$ 14.91	\$ 11.32	\$ 11.28
At [•], 2016	[•]	\$[•]	\$ 11.28

For each share of Polonia common stock converted into the stock consideration, Polonia shareholders will receive 0.7591 of a share of Prudential common stock, subject to adjustment in certain instructions. The market value of Prudential common stock and the market value of Polonia common stock may fluctuate prior to the merger. Polonia shareholders should obtain current market quotations for Prudential common stock. You can get these quotations from the Internet or by calling your broker.

**The Merger Will Be Accounted for as a "Business Combination" (page [•])**

The merger will be treated as a "business combination" using the acquisition method of accounting with Prudential treated as the acquirer under United States generally accepted accounting principles, or GAAP.

**Special Meeting of Polonia Shareholders (page [•])**

Polonia plans to hold the Polonia special meeting on \_\_\_\_\_, 2016, at [ • ] a.m., local time, at 3993 Huntingdon Pike, 3rd Floor, Huntingdon Valley, Pennsylvania. At the Polonia special meeting, Polonia shareholders will be asked to approve and adopt the merger agreement and the transactions contemplated thereby, and to approve a proposal to allow the Polonia special meeting to be adjourned, if necessary or appropriate, to permit the solicitation of additional proxies in favor of approval and adoption of the merger agreement.

Polonia shareholders may vote at the Polonia special meeting if they owned Polonia common stock at the close of business on [ • ], 2016, which is the record date for the Polonia special meeting. As of that date, there were approximately 3,348,827 shares of Polonia common stock outstanding and entitled to vote. Polonia shareholders are entitled to cast one vote for each share of Polonia common stock owned on the record date.

As of the record date for the Polonia special meeting, Polonia's directors and executive officers and their affiliates held 187,511 shares of Polonia common stock, excluding shares that may be acquired upon the exercise of outstanding stock options.

As of the record date for the Polonia special meeting, Prudential, its subsidiaries, and its directors and officers and their affiliates did not own or hold any shares of Polonia common stock (other than shares held as fiduciary, custodian or agent).

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**Polonia’s Board of Directors Recommends That Polonia Shareholders Vote “FOR” Approval and Adoption of the Merger Agreement and the Transactions Contemplated Thereby (page [•])**

Polonia’s board of directors has approved the merger agreement and the transactions contemplated thereby, including the merger, and unanimously recommends that Polonia shareholders vote “FOR” approval and adoption of the merger agreement and the transactions contemplated thereby, including the merger, and “FOR” the proposal to allow the Polonia special meeting to be adjourned, if necessary or appropriate, to permit the solicitation of additional proxies in favor of the approval and adoptions of the merger agreement.

**Opinion of Polonia’s Financial Advisor (page [•])**

FinPro Capital Advisors, Inc., or FinPro, Polonia’s financial advisor, delivered its opinion, dated June 2, 2016, to Polonia’s board of directors to the effect that, as of the date of the opinion and subject to factors, qualifications, limitations and assumptions set forth in the opinion, the merger consideration in connection with the proposed merger was fair, from a financial point of view, to the holders of Polonia common stock.

The full text of the written opinion of FinPro, which sets forth the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by FinPro in connection with its opinion, is attached as Annex B. FinPro’s opinion was for the information of, and directed to, Polonia’s board of directors (in its capacity as such) in connection with its consideration of the financial terms of the merger. FinPro’s opinion is not a recommendation as to how any holder of Polonia’s common stock should vote with respect to the proposal to approve and adopt the merger agreement or any other matter. It does not address the underlying business decision of Polonia to engage in the merger, the relative merits of the merger as compared to any other alternative business strategies that might exist for Polonia or the effect of any other transaction in which Polonia might engage. The FinPro opinion does not reflect any developments that may have occurred or may occur after the date of its opinion and prior to the completion of the merger. FinPro will receive a fee for its services, including rendering the fairness opinion, in connection with the merger.

**Polonia’s Directors and Executive Officers Have Interests in the Merger that Differ From Your Interests (page [•])**

In considering the information contained in this proxy statement/prospectus, Polonia shareholders should be aware that Polonia’s directors and executive officers have interests in the merger and have arrangements that are different from, or in addition to, those of Polonia’s shareholders. These interests include:

The acceleration of vesting of stock options and cancellation of stock options in exchange for a cash payment equal to the per share cash consideration minus the exercise price for each option;

The acceleration of vesting of outstanding restricted stock awards, which will be exchanged for the merger consideration;

Severance payments that certain executive officers may receive under their existing employment agreements with Polonia and the acceleration of benefits under certain post-retirement benefit plans; and

Provisions in the merger agreement relating to indemnification and insurance coverage by Prudential for acts or omissions occurring prior to the merger.

Assuming the merger is completed in the fourth quarter of 2016 and based on assumed merger consideration of \$11.28 per share, the value of the shares of Polonia common stock subject to restricted stock awards held by directors and executive officers of Polonia would amount to \$123,245 and the cash-out value of stock options to purchase shares of Polonia common stock held by such persons would amount to \$275,278. Payments to Polonia's directors and executive officers may be subject to the receipt of regulatory approval or non-objection. These interests and arrangements may create potential conflicts of interest and cause these persons to view the proposed merger transaction differently than you may view it as a shareholder.

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Polonia's board of directors was aware of these interests and took them into account in its decision to declare advisable the merger agreement and the transactions contemplated thereby, including the merger, and recommend that Polonia shareholders approve and adopt the merger agreement.

**Ownership of Prudential Common Stock Following the Merger (page [•])**

It is currently expected that former shareholders of Polonia as a group will receive shares in the merger constituting approximately 13.6% of the outstanding shares of Prudential common stock immediately after completion of the merger. As a result, current shareholders of Prudential as a group will own approximately 86.4% of the outstanding shares of Prudential common stock immediately after the completion of the merger.

**Polonia Shareholders Have Dissenters' Rights in the Merger (page [•])**

Under Maryland law, record holders of Polonia shares have the right to dissent from the merger and receive a payment in cash for the "fair value" of their shares of Polonia common stock as determined by an appraisal process. To exercise those dissenters' rights, Polonia shareholders must follow exactly the procedures specified under Maryland law. These procedures are summarized in this proxy statement/prospectus. In addition, the text of the applicable provisions of Maryland law is included as Annex C to this document. Failure to strictly comply with these provisions may result in the loss of dissenters' rights. The value determined in the appraisal process may be more or less than the value a Polonia shareholder would receive in the merger if the shareholder did not dissent.

**Polonia Has Agreed When and How It Can Consider Third-Party Acquisition Proposals (page [•])**

Prudential and Polonia have agreed that Polonia will not initiate, solicit, induce or encourage proposals from third parties regarding certain acquisitions of Polonia, its shares, or its businesses, take any action or facilitate the making of an acquisition proposal, or engage in related discussions, negotiations or enter into any related agreements. However, Polonia may (1) provide information in response to a request from a person who makes an unsolicited acquisition proposal, subject to such person entering into a confidentiality agreement that is no less favorable to Polonia than its confidentiality agreement with Prudential, and (2) engage or participate in discussions or negotiations with a person who makes such an unsolicited acquisition proposal; if, but only if, (A) Polonia has received a bona fide unsolicited written acquisition proposal that did not result from a breach of the merger agreement, (B) prior to taking any such action, Polonia's board of directors determines, in good faith, after consultation with its outside legal and financial advisors, that the acquisition proposal constitutes or is reasonably likely to lead to a superior proposal compared to the transactions contemplated by the merger agreement, (C) prior to furnishing or affording access to any information or

data with respect to Polonia or any of its subsidiaries or otherwise relating to the unsolicited acquisition proposal, Polonia receives a confidentiality agreement with terms no less favorable to Polonia than those contained in the confidentiality agreement between Prudential and Polonia, and (D) the board of directors of Polonia determines in good faith, after consultation with and having considered the advice of its outside legal counsel, that the failure to take any such actions would be reasonably likely to violate its fiduciary duties under applicable laws. Polonia is required to provide Prudential with notice of such determination within two business days after making such determination.

Additionally, prior to the approval of the merger agreement by Polonia's shareholders, upon the determination by Polonia's board of directors that an unsolicited acquisition proposal constitutes a superior proposal compared to the transactions contemplated by the merger agreement, the board of directors of Polonia may change its recommendation in favor of the merger agreement (but not terminate the merger agreement) if, prior to changing its recommendation, (1) Polonia's board of directors determines, in good faith, after consultation with its outside legal and financial advisors, that failure to change its recommendation would be reasonably likely to be inconsistent with its fiduciary duties to Polonia's shareholders, (2) Polonia provides Prudential with notice that Polonia's board of directors intends to or may change its recommendation and provides an opportunity for Prudential to make an improved proposal, and (3) Polonia's board of directors determines, in good faith, after consultation with its outside legal and financial advisors, that the acquisition proposal constitutes a superior proposal compared to any such improved proposal by Prudential.

Unless the merger agreement is terminated before the Polonia special meeting, Polonia is required to submit the merger agreement to its shareholders.

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**Merger Requires Approval and Adoption of the Merger Agreement by Polonia Shareholders (page [•])**

Approval and adoption of the merger agreement requires the affirmative vote of the holders of a majority of the total number of shares of Polonia common stock outstanding and entitled to vote at the Polonia special meeting.

As of the record date for the Polonia special meeting, Polonia's directors and executive officers beneficially owned approximately 187,511 shares, excluding shares that may be acquired upon the exercise of options, representing approximately 5.6% of the shares entitled to vote at the Polonia special meeting.

**Conditions That Must Be Satisfied or Waived for the Merger to Occur (page [•])**

Currently, Prudential and Polonia expect to complete the merger in the fourth quarter of 2016. As more fully described elsewhere in this proxy statement/prospectus and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include, among others:

- the approval and adoption of the merger agreement by the requisite vote of Polonia shareholders;

- the receipt of all regulatory consents and approvals required to consummate the transactions contemplated by the merger agreement, without conditions (excluding standard conditions that are normally imposed in bank merger transactions) that would, in the good faith reasonable judgment of the Prudential board of directors, materially and adversely affect the business, operations, financial condition, property or assets of the combined enterprise of Prudential and Polonia or materially impair the value of Polonia to Prudential;

- the receipt by each of Prudential and Polonia of a legal opinion with respect to certain United States federal income tax consequences of the merger;

- the absence of any law, statute, rule, regulation, order, decree, injunction or other order by any court or other governmental entity, which enjoins or prohibits completion of the transactions contemplated by the merger agreement;



the effectiveness of the registration statement of which this proxy statement/prospectus is a part with respect to the Prudential common stock to be issued in connection with the merger under the Securities Act and the absence of any stop order or proceedings initiated or threatened by the SEC or any state securities commissioner (with respect to any applicable state securities laws) for that purpose;

the authorization for listing on the NASDAQ of the shares of Prudential common stock to be issued in connection with the merger;

the exercise of dissenters' rights by holders of Polonia common stock not exceeding 15% of the issued and outstanding shares of Polonia;

the absence of any change that individually or in the aggregate has a material adverse effect with respect to Prudential or Polonia;

the truth and correctness of the representations and warranties of each other party in the merger agreement, subject to the materiality standards provided in the merger agreement; and

the performance by each party in all material respects of their obligations under the merger agreement and the receipt by each party of certificates from the other party to that effect.

We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

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**Termination of the Merger Agreement (page [•])**

The merger agreement can be terminated at any time prior to completion by mutual consent, if authorized by each of the Prudential and Polonia boards of directors, or by either party individually, in the following circumstances:

if the other party breaches the merger agreement in a way that would entitle the party seeking to terminate the agreement not to consummate the merger, unless the breach is capable of being cured by February 28, 2017 (the termination date of the merger agreement), and is actually cured within 30 days of notice of the breach;

if the merger has not been completed by the termination date of February 28, 2017, unless the failure to complete the merger by that date is due to the breach of the merger agreement by the party seeking to terminate the merger agreement;

· if Polonia's shareholders fail to approve and adopt the merger agreement at the Polonia special meeting; or

if there is any final, non-appealable order permanently enjoining or prohibiting the completion of the merger or any consent, registration, approval, permit or authorization is denied such that the regulatory approval condition to the merger cannot be satisfied as of the closing date.

In addition, Prudential may terminate the merger agreement if Polonia has received a "superior proposal" and Polonia's board of directors has (1) entered into an acquisition agreement with respect to the superior proposal or (2) withdrawn its recommendation regarding the merger, failed to make its recommendation or modified or qualified its recommendation in a manner adverse to Prudential. Prudential also may also terminate the merger agreement if Polonia fails to substantially comply with its obligations with respect to consideration and action upon alternative acquisition proposals.

Polonia also may terminate the merger agreement (1) if Polonia has received an acquisition proposal that Polonia's board of directors determines to be a "superior proposal" and Polonia's board of directors has made a determination to accept such superior proposal or (2) if the average closing price of Prudential common stock over the prior 20 trading days is less than \$11.89 during the three day period following the 10<sup>th</sup> calendar day immediately prior to the effective time of the merger and if Prudential's common stock underperforms the NASDAQ Bank Index by more than 20%, unless Prudential elects to make a compensating adjustment to the exchange ratio.

If the merger agreement is terminated, it will become void, and there will be no liability on the part of Prudential or Polonia, except that (1) in the event of willful breach of the merger agreement, the breaching party will remain liable for any damages, costs and expenses, including without limitation, reasonable attorneys' fees incurred by the non-breaching party in connection with the enforcement of its rights under the merger agreement, (2) designated provisions of the merger agreement, including the payment of fees and expenses and the confidential treatment of information, will survive the termination and (3) under certain circumstances, a termination of the merger agreement will obligate Polonia to pay Prudential a termination fee.

**Termination Fee (page [•])**

Polonia will be obligated to pay Prudential a termination fee of \$1,515,000 under the following circumstances:

if the merger agreement is terminated by Prudential because Polonia has received a "superior proposal" and Polonia's board of directors has (1) entered into an acquisition agreement with respect to the superior proposal or (2) withdrawn its recommendation regarding the merger, failed to make its recommendation or modified or qualified its recommendation in a manner adverse to Prudential;

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if the merger agreement is terminated by Polonia because Polonia has received a “superior proposal” and Polonia’s board of directors has made a determination to accept the superior proposal; or

if Polonia enters into a definitive agreement relating to an acquisition proposal within 12 months after the occurrence of any of the following: (1) the termination of the merger agreement by Prudential due to Polonia’s willful breach, subject to the materiality standards provided in the merger agreement, of its representations, warranties, covenants or agreements under the merger agreement, or (2) the failure of Polonia’s shareholders to approve and adopt the merger agreement after the public disclosure or public awareness of an acquisition proposal.

**Regulatory Approvals Required for the Merger (page [•])**

Each of Prudential and Polonia has agreed to cooperate with the other and use all reasonable efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement, including the merger and the bank merger. These approvals include approval from the Board of Governors of the Federal Reserve System, which we refer to as the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Pennsylvania Department of Banking and Securities. Prudential and Polonia have completed, or will complete, the filing of applications and notifications to obtain the required regulatory approvals. Although Prudential and Polonia do not know of any reason why these regulatory approvals cannot be obtained in a timely manner, Prudential and Polonia cannot be certain when or if they will be obtained.

**The Rights of Polonia Shareholders Following the Merger Will Be Different (page [•])**

The rights of Prudential shareholders are governed by Pennsylvania law and by Prudential’s articles of incorporation and bylaws. The rights of Polonia shareholders are governed by Maryland law, and by Polonia’s articles of incorporation and bylaws. Upon the completion of the merger, the rights of Polonia shareholders will be governed by Pennsylvania law, Prudential’s articles of incorporation and bylaws. Certain provisions of Prudential’s articles of incorporation and bylaws provide Prudential shareholders with different rights than provided by Polonia’s articles of incorporation and bylaws. In addition, certain provisions of the Pennsylvania Business Corporation Law, or PBCL, that are applicable to a “registered corporation” such as Prudential are not applicable to Polonia.

**Risk Factors (page [•])**

You should consider all the information contained in or incorporated by reference into this proxy statement/prospectus in deciding how to vote for the proposals presented in this proxy statement/prospectus. In particular, you should

consider the factors described under “Risk Factors.”

Table of Contents**COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA**

Presented below for Prudential and Polonia are comparative historical and unaudited pro forma equivalent per share financial data as of and for the year ended September 30, 2015, and as of and for the six months ended March 31, 2016. The information presented below should be read together with the historical consolidated financial statements of Prudential and Polonia, including the related notes. The information in the table is based on, and should be read together with, the historical financial information that Prudential has presented in its filings with the SEC and the historical financial information that Polonia has presented in its financial statements included in this proxy statement/prospectus beginning at page [•]. See the section entitled “Where You Can Find More Information” beginning on page [•].

The unaudited pro forma information gives effect to the merger as if the merger had been effective on September 30, 2015 or March 31, 2016 in the case of the book value data, and as if the merger had been effective as of October 1, 2015 or October 1, 2014 in the case of the earnings per share and the cash dividends data. The unaudited pro forma data combines the historical results of Polonia into Prudential’s consolidated financial statements. While certain adjustments were made for the estimated impact of fair value adjustments and other acquisition-related activity, they are not indicative of what could have occurred had the acquisition taken place on October 1, 2014 or October 1, 2015.

The unaudited pro forma adjustments are based upon available information and certain assumptions that Prudential and Polonia management believe are reasonable. The unaudited pro forma data, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of factors that may result as a consequence of the merger or consider any potential impacts of current market conditions or the merger on revenues, expense efficiencies or asset dispositions, among other factors, nor the impact of possible business model changes. As a result, unaudited pro forma data are presented for illustrative purposes only and do not represent an attempt to predict or suggest future results. Upon completion of the merger, the operating results of Polonia will be reflected in the consolidated financial statements of Prudential on a prospective basis.

	<b>Prudential Historical</b>	<b>Polonia Historical</b>	<b>Pro Forma Combined</b>	<b>Per Equivalent Polonia Share (3)</b>
For six months ended March 31, 2016:				
Earnings (Loss) Per Share (1)				
Basic earnings per share	\$ 0.13	\$ (0.23)	) \$ 0.04	\$ 0.03
Diluted earnings per share	\$ 0.12	\$ (0.22)	) \$ 0.03	\$ 0.03
Cash Dividends Per Share (2)	\$ 0.06	\$ —	\$ 0.06	\$ 0.05
Book Value per common share as of March 31, 2016	\$ 13.93	\$ 11.19	\$ 13.83	\$ 10.50

The pro forma combined book value per share of Prudential is based upon the pro forma combined common shareholders' equity for Prudential and Polonia divided by the total pro forma common shares of the combined entity and reflects Polonia shares at the exchange ratio of 0.7591.

	<b>Prudential Historical</b>	<b>Polonia Historical</b>	<b>Pro Forma Combined</b>	<b>Per Equivalent Polonia Share (3)</b>
For the year ended September 30, 2015:				
Earnings Per Share (1)				
Basic earnings per share	\$ 0.27	\$ 0.10	\$ 0.28	\$ 0.21
Diluted earnings per share	\$ 0.26	\$ 0.09	\$ 0.28	\$ 0.21
Cash Dividends Per Share (2)	\$ 0.27	\$ —	\$ 0.27	\$ 0.20
Book Value per common share as of September 30, 2015	\$ 13.85	\$ 11.19	\$ 13.28	\$ 10.08

Polonia's fiscal year ends on December 31. To calculate basic and diluted earnings per share for the six months ended March 31, 2016, Polonia added the earnings per share for the quarter ended December 31, 2015 to the earnings per share for the quarter ended March 31, 2016. To calculate earnings per share for the year ended (1) September 30, 2015, Polonia subtracted the earnings per share for the quarter ended December 31, 2015 from the earnings per share for the year ended December 31, 2015 and added the earnings per share for the quarter ended December 31, 2014.

(2) Pro forma combined dividends are based on Prudential's historical amounts.

(3) Per equivalent Polonia share was computed by multiplying the pro forma combined amounts by the exchange ratio of 0.7591.

The pro forma combined book value per share of Prudential is based upon the pro forma combined common shareholders' equity for Prudential and Polonia divided by the total pro forma common shares of the combined entity and reflects Polonia shares at the exchange ratio of 0.7591.

Table of Contents**SELECTED FINANCIAL AND OTHER DATA OF PRUDENTIAL**

The following summary presents selected consolidated financial data of Prudential as of and for the periods indicated. The financial data as of and for the years ended September 30, 2015, 2014, 2013, 2012 and 2011 has been derived from Prudential's audited financial statements contained in Annual Reports on Form 10-K that Prudential has previously filed with the SEC. The financial data as of and for the six months ended March 31, 2016 and 2015 has been derived from Prudential's unaudited consolidated financial statements contained in Quarterly Reports on Form 10-Q that Prudential has previously filed with the SEC. The information as of and for the three months ended March 31, 2016 and 2015 is unaudited and reflects only normal recurring adjustments that are, in the opinion of Prudential's management, necessary for a fair presentation of the result for the interim periods presented. The results of operations for the six months ended March 31, 2016 are not necessarily indicative of the results to be achieved by Prudential for all of fiscal 2016 or for any other period.

	<b>At March 31, 2016</b>	<b>At September 30,</b>				
		<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
		<b>(Dollars in Thousands)</b>				
<b>Selected Financial and Other Data:</b>						
Total assets	\$ 537,544	\$487,189	\$525,483	\$607,897	\$490,504	\$499,537
Cash and cash equivalents	7,330	11,272	45,382	158,984	81,273	53,829
Investment and mortgage-backed securities:						
Held-to-maturity	44,488	66,384	80,840	83,732	63,110	108,956
Available-for-sale	143,235	77,483	57,817	41,781	65,975	75,370
Loans receivable, net	322,182	312,633	321,063	306,517	260,684	240,511
Deposits	384,070	365,074	391,025	542,748	425,602	436,014
FHLB advances	37,059	-	340	340	483	570
Non-performing loans	15,183	13,932	5,880	6,634	14,018	12,631
Non-performing assets	15,183	14,801	6,240	7,040	15,990	14,899
Total stockholders' equity, substantially restricted	112,325	117,001	129,425	59,912	59,831	57,452

	<b>For the Six Months Ended</b>		<b>Year Ended September 30,</b>				
	<b>March 31, 2016</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(Dollars in Thousands, except per share data)</b>						
<b>Selected Operating Data:</b>							
Total interest income	\$8,422	\$8,544	\$16,680	\$16,465	\$16,773	\$18,979	\$21,685
Total interest expense	1,649	1,772	3,430	3,401	4,344	5,779	7,097
Net interest income	6,773	6,772	13,250	13,064	12,429	13,200	14,588



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Provision (recovery) for loan losses	75	375	735	240	(500 )	725	4,630
Net interest income after provision (recovery) for loan losses	6,698	6,397	12,515	12,824	12,929	12,475	9,958
Total non-interest income	483	2,338	3,008	1,111	1,774	3,068	938
Total non-interest expense	5,692	6,437	13,175	11,465	11,250	11,668	10,996
Income (loss) before income taxes	1,489	2,298	2,348	2,470	3,453	3,875	(100 )
Income tax expense (benefit)	528	126	116	690	1,698	1,282	(212 )
Net income	\$962	\$2,172	\$2,232	\$1,780	\$1,755	\$2,593	\$112
Basic earnings per share	\$0.13	\$0.25	\$0.27	\$0.20	\$0.19	\$0.27	\$0.01
Diluted earnings per share	\$0.12	\$0.22	\$0.26	\$0.19	\$0.19	\$0.27	\$0.01
Dividends paid per common share	\$0.06	\$0.06	\$0.27	\$0.06	\$0.00	0.00	\$0.10
Selected Operating Ratios(1):							
Average yield earned on interest-earning assets	3.39 %	3.40 %	3.38 %	3.28 %	3.60 %	3.96 %	4.42 %
Average rate paid on interest-bearing liabilities	0.83	0.91	0.90	0.89	1.04	1.33	1.58
Average interest rate spread(2)	2.56	2.49	2.49	2.39	2.56	2.63	2.84
Net interest margin(2)	2.73	2.70	2.69	2.61	2.67	2.76	2.97
Average interest-earning assets to average interest-bearing liabilities	125.44	129.31	128.72	130.51	111.15	110.29	109.41
Net interest income after provision for loan losses to non-interest expense	117.69	99.38	94.99	111.85	114.92	106.92	90.55
Total non-interest expense to total average assets	2.20	2.46	2.56	2.21	2.25	2.33	2.15
Efficiency ratio(3)	78.43	70.66	81.04	80.88	79.21	71.72	70.83
Return on average assets	0.37	0.83	0.43	0.34	0.35	0.52	0.02
Return on average equity	1.66	3.36	1.77	1.38	3.00	4.43	0.20
Average equity to average total assets	22.44	24.72	24.39	24.79	12.20	11.71	10.90

(Footnotes on next page)

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	At or For the Six Months Ended March 31,		At or For the Year Ended September 30,				
	2016	2015	2015	2014	2013	2012	2011
Asset Quality Ratios(4):							
Non-performing loans as a percent of total loans receivable(5)	4.71	% 4.75	% 4.46	% 1.83	% 2.16	% 5.38	% 5.25
Non-performing assets as a percent of total assets(5)	2.82	3.01	3.04	1.19	1.16	3.26	2.98
Allowance for loan losses as a percent of non-performing loans	20.01	16.60	21.03	41.24	35.47	13.42	26.63
Allowance for loan losses as a percent of total loans	0.93	0.78	0.93	0.75	0.77	0.71	1.63
Net charge-offs to average loans receivable	0.01	0.13	0.07	0.05	-0.35	0.88	1.90
Capital Ratios(4)(6):							
Tier 1 leverage ratio							
Company	20.76	% 24.71	% 23.73	% 22.39	% 12.54	% 11.73	% 11.06
Bank	18.28	18.26	19.50	17.95	11.81	10.95	10.23
Tier 1 common risk-based capital ratio							
Company	42.36	54.69	50.63	N/A	N/A	N/A	N/A
Bank	37.38	40.45	41.66	N/A	N/A	N/A	N/A
Tier 1 risk-based capital ratio							
Company	42.07	54.69	50.63	57.21	26.69	27.51	25.54
Bank	37.09	40.45	41.65	40.52	25.15	25.69	23.62
Total risk-based capital ratio							
Company	43.25	55.79	51.98	58.28	27.72	28.39	26.79
Bank	38.27	41.55	43.00	41.59	26.18	26.57	24.87

(1) With the exception of end of period ratios, all ratios are based on average monthly balances during the indicated periods.

Average interest rate spread represents the difference between the average yield earned on interest-earning assets (2) and the average rate paid on interest-bearing liabilities. Net interest margin represents net interest income as a percentage of average interest-earning assets.

(3)

The efficiency ratio represents the ratio of non-interest expense divided by the sum of net interest income and non-interest income.

- (4) Asset quality ratios and capital ratios are end of period ratios, except for net charge-offs to average loans receivable.

Non-performing assets generally consist of all loans on non-accrual, loans which are 90 days or more past due as to principal or interest, and real estate acquired through foreclosure or acceptance of a deed in-lieu of foreclosure.

- (5) Non-performing assets and non-performing loans also include loans classified as troubled debt restructurings, referred to as TDRs, due to being recently restructured and placed on non-accrual in connection with such restructuring. The TDRs in most cases are performing in accordance with their restructured terms. It is Prudential's policy to cease accruing interest on all loans which are 90 days or more past due as to interest or principal.

- (6) Prudential is not subject to the regulatory capital ratios imposed by Basel III on bank holding companies because Prudential was deemed to be a small bank holding company.

Table of Contents**SELECTED FINANCIAL AND OTHER DATA OF POLONIA**

The following summary presents Selected Consolidated Financial Data of Polonia as of and for the periods indicated. The financial data as of and for the years ended December 31, 2015 and 2014 has been derived from Polonia's audited financial statements included in this proxy statement/prospectus. The information as of and for the years ended December 31, 2013, 2012 and 2011 is derived from Polonia's audited financial statements which are not included in this proxy statement/prospectus. The financial data as of and for the three months ended March 31, 2016 and 2015 has been derived from Polonia's unaudited consolidated financial statements. The information at March 31, 2016 and for the three months ended March 31, 2016 and 2015 is unaudited and reflects only normal recurring adjustments that are, in the opinion of Polonia's management, necessary for a fair presentation of the result for the interim periods presented. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of the results to be achieved by Polonia for all of 2016 or for any other period.

	<b>At or</b>		<b>At</b>		
	<b>For the Three</b>		<b>December 31,</b>		
	<b>Months</b>				
	<b>Ended March 31,</b>				
	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
(In thousands, except per share data)					
Financial Condition Data:					
Total assets	\$287,731	\$304,607	\$291,611	\$308,350	\$306,176
Loans receivable, net	158,361	173,693	160,493	197,679	182,050
Deposits	187,148	196,334	188,222	199,554	201,322
FHLB Advances – long-term	56,000	59,000	56,000	59,000	59,000
Stockholders' equity	37,468	39,054	37,501	36,940	38,417
Operating Data:					
Interest income	2,355	2,680	10,213	11,342	10,732
Interest expense	767	797	3,153	3,210	2,589
Net interest income	1,588	1,883	7,060	8,132	8,143
Provision for loan losses	-	63	73	210	574
Net interest income after provision for loan losses	1,588	1,819	6,987	7,922	7,569
Non-interest income	321	1,228	4,130	4,654	5,577
Non-interest expense	2,305	2,833	11,185	12,506	13,512
Income (loss) before income taxes	(396 )	215	(68 )	70	(366 )
Provision (benefit) for income taxes	(128 )	77	70	53	(120 )
Net income (loss)	\$(268 )	\$138	\$(138 )	\$17	\$(246 )
Per common share:					
Book value	\$11.19	\$11.15	\$11.20	\$11.08	\$10.94

Basic and diluted earnings (loss)	(0.08 )	0.04	(0.04 )	0.01	(0.07 )
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(In thousands, except per share data)	At or For the Three Months Ended		At December 31,		
	March 31, 2016	2015	2015	2014	2013
Performance Ratios (1):					
Return on average assets	(0.37 )%	0.18 %	(0.05 )%	0.01 %	0.09 %
Return on average equity	(2.85 )	1.43	(0.35 )	0.04	(0.60 )
Net interest margin (2)	2.32	2.66	2.52	2.84	3.13
Asset Quality Ratios (3):					
Allowance for loan losses as a percent of total loans	0.78 %	0.77 %	0.79 %	0.71 %	0.75 %
Allowance for loan losses as a percent of non-performing loans	59.26	48.08	56.26	63.36	71.40
Non-performing loans as a percent of total loans	1.32	1.61	1.40	1.12	1.05

(1) Performance ratios for the three-month periods have been annualized.

(2) Represents net interest income as a percent of average interest-earning assets.

(3) Ratios exclude covered loans which are subject to loss sharing agreements entered into with the Federal Deposit Insurance Corporation.

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**UNAUDITED PRO FORMA COMBINED CONDENSED CONSOLIDATED FINANCIAL DATA**

The Unaudited Pro Forma Combined Condensed Consolidated Financial Information has been prepared using the acquisition method of accounting, giving effect to the merger. The Unaudited Pro Forma Combined Condensed Consolidated Statement of Financial Condition combines the historical information of Prudential and of Polonia as of March 31, 2016 and assumes that the merger was completed on that date. The Unaudited Pro Forma Combined Condensed Consolidated Statement of Income combines the historical financial information of Prudential and of Polonia and give effect to the merger as if it had been completed as of the beginning of the periods presented. The Unaudited Pro Forma Combined Condensed Consolidated Financial Information is presented for illustrative purposes only and is not necessarily indicative of the results of income or financial condition had the merger been completed on the date described above, nor is it necessarily indicative of the results of income in future periods or the future financial condition and results of income of the combined entities. The financial information should be read in conjunction with the accompanying notes to the Unaudited Pro Forma Combined Condensed Consolidated Financial Information. Certain reclassifications have been made to Polonia historical financial information in order to conform to Prudential's presentation of financial information.

The proposed merger is targeted for completion in the fourth quarter of 2016. There can be no assurance that the merger will be completed as anticipated. For purposes of the Unaudited Pro Forma Combined Condensed Consolidated Financial Information, the fair value of Prudential's common stock to be issued in connection with the merger was based on Prudential's closing stock price of \$14.32 as of March 31, 2016.

The Unaudited Pro Forma Combined Condensed Consolidated Financial Information includes estimated adjustments, including adjustments to record Polonia's assets and liabilities at their respective fair values, and represents Prudential's pro forma estimates based on available fair value information as of the date of the merger agreement. In some cases, where noted, more recent information has been used to support estimated adjustments in the pro forma financial information.

The pro forma adjustments are subject to change depending on changes in interest rates and the components of assets and liabilities and as additional information becomes available and additional analyses are performed. The final allocation of the purchase price for the merger will be determined after it is completed and after completion of thorough analyses to determine the fair value of Polonia's tangible and identifiable intangible assets and liabilities as of the date the merger is completed. Increases or decreases in the estimated fair values of the net assets as compared with the information shown in the Unaudited Pro Forma Combined Condensed Consolidated Financial Information may change the amount of the purchase price allocated to goodwill and other assets and liabilities and may impact Prudential's statement of income due to adjustments in yield and/or amortization of the adjusted assets or liabilities. Any changes to Polonia's stockholders' equity, including results of operations from March 31, 2016 through the date the merger is completed, will also change the purchase price allocation, which may include the recording of a lower or higher amount of goodwill. The final adjustments may be materially different from the unaudited pro forma

adjustments presented herein.

We anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses. The Unaudited Pro Forma Combined Condensed Consolidated Financial Information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the benefits of expected cost savings or opportunities to earn additional revenue and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had Prudential and Polonia been combined during these periods.

The Unaudited Pro Forma Combined Condensed Consolidated Financial Information has been derived from and should be read in conjunction with the historical consolidated financial statements and the related notes of Prudential, incorporated herein by reference and those of Polonia, which appear elsewhere in this document.

Polonia's fiscal year end is December 31 and Prudential's is September 30. In order to provide shareholders with comparable information, for purposes of the unaudited pro forma condensed combined statements of income, certain financial information for Polonia has been completed as if Polonia's year end is September 30. To calculate operating results for the six months ended March 31, 2015, Polonia added the operating results for Polonia's quarter ended December 31, 2015 to the operating results for Polonia's quarter ended March 31, 2016. To calculate operating results for the year ended September 30, 2015, Polonia subtracted the operating results for Polonia's quarter ended December 31, 2015 from the operating results for Polonia's year ended December 31, 2015 and added the operating results for Polonia's quarter ended December 31, 2014.



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(Unaudited)****At March 31, 2016****(Dollars in Thousands, Except Per Share Data)**

	<b>Prudential</b>	<b>Polonia</b>	<b>Adjustments</b>		<b>Pro Forma</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 7,330	\$7,676	\$ -		\$ 15,006
Investments AFS	143,235	93,233	-		236,468
Investments HTM	44,488	-	-		44,488
Loans and Leases	325,220	171,194	(3,466	)(1)	492,948
Allowance for loan and lease losses	(3,038 )	(1,245 )	1,245	(2)	(3,038 )
Net loans	322,182	169,949	(2,221	)	489,910
Premises and equipment	1,495	3,952	3,186	(3)	8,633
Accrued interest receivable	1,774	705	-		2,479
Deferred income taxes	451	2,043	414	(4)	2,908
Bank owned life insurance	12,890	4,252	-		17,142
Federal Home Loan Bank stock	1,851	3,623	-		5,474
Goodwill	-	-	604	(5)	604
Intangible	-	-	1,287	(6)	1,287
Other assets	1,848	2,298	-		4,146
<b>Total assets</b>	<b>\$ 537,544</b>	<b>\$287,731</b>	<b>\$ 3,270</b>		<b>\$828,545</b>
<b>Liabilities</b>					
<b>Deposits:</b>					
Non-interest-bearing	\$ 2,775	\$6,446	\$ -		\$9,221
Interest-bearing	381,295	180,702	1,352	(7)	563,349
<b>Total deposits</b>	<b>384,070</b>	<b>187,148</b>	<b>1,352</b>		<b>572,570</b>
FHLB advances	37,059	56,000	2,117	(8)	95,176
Other liabilities	4,090	7,114	23,249	(9)	34,453
<b>Total liabilities</b>	<b>425,219</b>	<b>250,262</b>	<b>26,718</b>		<b>702,199</b>
<b>Shareholders' Equity</b>					
Preferred stock	-	-	-		-
Common stock	112,325	37,469	(23,448	)(10)	126,346
<b>Total shareholders' equity</b>	<b>112,325</b>	<b>37,469</b>	<b>(23,448</b>	<b>)</b>	<b>126,346</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 537,544</b>	<b>\$287,731</b>	<b>\$ 3,270</b>		<b>\$828,545</b>

Book value	\$ 13.93	\$ 11.19	\$ 13.54
Tangible book value	\$ 13.93	\$ 11.19	\$ 13.34

*The accompanying notes are an integral part of these pro forma statements.*

Assumes that the merger was completed on March 31, 2016 utilizing the acquisition method of accounting.

\* Estimated fair value adjustments for loans, investments securities, core deposit intangibles, deposits and borrowed funds were determined by information obtained from Polonia and Prudential. Actual fair value adjustments, where appropriate, will be determined by a third party specialist, engaged by Prudential, as of the merger completion date.

1. The \$(3.5) million purchase accounting adjustment decreases the carrying values of acquired loans to their fair market value. This adjustment is approximately (2.04)% of Polonia's loan portfolio. This pro forma presentation assumes an estimated fair value of projected cash flows valued at present value, including an additional liquidity premium, of approximately \$(1.4) million, in addition to an estimated credit adjustment of \$(2.1) million.
2. In accordance with current purchase accounting guidance, Polonia's \$1.2 million allowance for loan losses, which is equal to 0.73% of portfolio loans, has been eliminated.
3. The \$3.2 million purchase accounting adjustment on premises brings the carrying value of the premises Polonia owns to their estimated fair value.
4. The \$414,000 increase in the deferred tax asset is associated with the fair value adjustments related to the acquired assets and liabilities, excluding goodwill. Also included is the tax impact of the post-closing costs paid by Prudential.

*(Footnotes continued on following page)*

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Calculated to reflect the acquisition accounting adjustments related to the merger. The consideration paid to acquire Polonia consists of cash of \$18.9 million and the issuance of 1,271,047 shares of Prudential common stock based upon the fixed exchange ratio of 0.7591 applied to 1,674,414 shares of the 3,348,827 shares of Polonia common stock outstanding. The value of Prudential common stock is based upon the closing stock price of \$14.32 as of March 31, 2016 and the cash consideration is based on the \$11.28 per share price.

<b>Purchase Price</b>	<b>(In Thousands)</b>	
Value of Prudential common stock to be issued	\$	18,201
Cash consideration for Polonia common stockholders		18,887
Cash consideration for Polonia options		275
Purchase price as of March 31, 2016	\$	37,364
Polonia's net assets:		
Polonia's stockholder's equity		37,469
Estimated tax benefit of options cashed out		94
Polonia's stockholders' equity, net of transaction costs		37,563
Fair value adjustments:		
Loans	(2,221	)
Premises and equipment	3,186	
Core deposit intangible	1,287	
Interest-bearing deposits	(1,352	)
FHLB advances	(2,117	)
Tax effect of fair value adjustment	414	
Total adjustments of net assets acquired	(803	)
Fair value of assets acquired		36,760
Estimated goodwill	\$	604

The \$1.3 million adjustment is the estimated fair value of Polonia's core deposit base, primarily non-interest-bearing 6. checking accounts, and lower rates offered on savings and money market accounts and is amortized through the income statement over the estimated life of these deposit relationships.

The \$1.4 million purchase accounting adjustment on interest-bearing deposits, primarily certificates of deposit, 7. adjusts their carrying value to estimated fair value. This adjustment will be amortized through the income statement as a reduction in interest expense over the estimated life of five years.

The \$2.1 million purchase accounting adjustment on Federal Home Loan Bank advances brings their carrying value 8. to their estimated fair value. This adjustment will be amortized through the income statement as a reduction of interest expense over the estimated life of the Federal Home Loan Bank advances.

Represents the liability payable to Polonia shareholders for the cash consideration, Polonia stock options for acceleration of vesting and the cancelation thereof, and transaction costs. The estimated cash payments required in 9. this transaction are expected to be generated by internal sources. As of March 31, 2016, Prudential did not have the full amount of the cash consideration available in liquid assets but as of the date hereof does. Therefore, Prudential believes it is appropriate to include the cash consideration payable to Polonia's shareholders in other liabilities.

10. Reflects elimination of Polonia's equity accounts, the issuance of 1,271,047 shares of Prudential's common stock and merger-related transaction costs, net of taxes calculated as follows:

	<b>(In Thousands)</b>	
Value of common stock to be issued	\$ 18,201	
Polonia stockholders' equity	(37,469	)
Change of control expenses	(572	)
Polonia merger expenses	(495	)
Prudential merger expenses	(3,113	)
Total	\$ (23,448	)

Table of Contents**UNAUDITED COMBINED CONDENSED CONSOLIDATED PRO FORMA STATEMENT OF INCOME****(Unaudited)****For the Six Months Ended March 31, 2016****(Dollars in Thousands, Except Per Share Data)**

	<b>Six Months Ended March 31, 2016</b>			
	<b>Prudential</b>	<b>Polonia</b>	<b>Adjustments(1)</b>	<b>Pro Forma</b>
<b>Interest income:</b>				
Interest on loans	\$6,226	\$3,951	\$ 141	(2) \$10,318
Interest on mortgage-backed securities	1,195	440	-	1,635
Interest and dividends on investments	988	328	-	1,316
Interest on interest-bearing assets.	13	8	-	21
Total interest income	8,422	4,727	141	13,290
<b>Interest expense:</b>				
Interest on deposits	1,495	821	(451	)(2) 1,865
Interest on borrowings	154	721	374	(2) 1,249
Total interest expense	1,649	1,542	(77	) 3,114
Net interest income	6,773	3,185	218	10,176
Provision for loan losses	75	-	-	75
Net interest income after provision for loan losses	6,698	3,185	218	10,101
<b>Non-interest income:</b>				
Fees and other service charges	229	48	-	277
Gain on sale of loans	2	89	-	91
Gain on sale of investments securities	-	251	-	251
Income from bank owned life insurance	168	(9	) -	159
Other	84	79	-	163
Total non-interest income	483	458	-	941
<b>Non-interest expense:</b>				
Salaries and employees benefits	3,387	2,025	-	5,412
Data processing	228	208	-	436
Professional services	520	419	-	939
Office occupancy	507	641	-	1,148

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Directors compensation	228	52	-		280
Deposit insurance	172	252	-		424
Advertisings	38	14	-		52
Other	612	1,063	80	(3)	1,755
Total non-interest expense	5,692	4,674	80		10,446
Income (loss) before income taxes	1,489	(1,031 )	138	(4)	596
Income taxes (benefit)	528	(293 )	47	(5)	282
Net income (loss)	\$961	\$(738 )	\$ 91		\$ 314
Earnings (loss) per share - basic	\$0.13	\$(0.23 )			\$0.04
Earnings (loss) per share - diluted	\$0.12	\$(0.22 )			\$0.03
Weighted average common shares outstanding:					
Basic	7,498,933	3,171,945			8,769,980
Diluted	7,745,724	3,348,827			9,016,771

*The accompanying notes are an integral part of these pro forma statements.*

1. Assumes the merger with Polonia was completed at the beginning of the period presented or October 1, 2015. These pro forma acquisition adjustments reflect the amortization/accretion for the six months ended March 31, 2016
2. of acquisition adjustments related to loans, deposits and borrowings utilizing the straight line method over the estimated life of the related assets or liabilities which are 5.0 years, 1.5 years and 2.8 years, respectively.

*(Footnotes on following page)*

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3. Represents amortization of \$1.3 million core deposit intangible on a straight line method over eight years.
4. Reflects the tax impact of the pro forma acquisition adjustments at Prudential's statutory income tax rate of 34.0%. Prudential expects to incur approximately \$3.1 million, on an after-tax basis, in total transaction costs as a result of
5. the proposed merger. Non-interest expenses do not reflect anticipated costs savings or transaction expenses. A summary of Prudential's transaction expenses are as follows (in thousands):

Professional fees	\$555
Legal reserve	750
Other related expenses	1,462
Data processing termination and conversion costs	1,950
Estimated pre-tax transaction costs	4,717
Less related tax benefit	(1,519)
Estimated transaction costs, net of taxes	\$3,113

Table of Contents**For the Year Ended September 30, 2015****(Dollars in Thousands, Except Per Share Data)**

	<b>Twelve Months Ended September 30, 2015</b>				
	<b>Prudential</b>	<b>Polonia</b>	<b>Adjustments(1)</b>		<b>Pro Forma</b>
Interest income:					
Interest on Loans	12,760	9,003	282	(2)	22,045
Interest on mortgage-backed securities	1,799	1,248	-		3,047
Interest and dividends on investments	2,003	404	-		2,407
Interest on interest-bearing assets.	118	30	-		148
Total interest income	16,680	10,685	282		27,647
Interest expense:					
Interest on deposits	3,430	1,722	(901)	(2)	4,251
Interest on borrowings	-	1,474	747	(2)	2,221
Total interest expense	3,430	3,196	(154)	)	6,472
Net interest income	13,250	7,489	437		21,176
Provision for loan losses	735	184	-		919
Net interest income after provision for loan losses	12,515	7,305	437		20,257
Non-interest income:					
Fees and other service charges	368	108	-		476
Gain on sale of loans	138	3,481	-		3,619
Gain on sale of investments securities	-	560	-		560
Gain on sale of real estate	2,064	-	-		2,064
Income from bank owned life insurance	344	(8)	)	-	336
Other	94	1,084	-		1,178
Total non-interest income	3,008	5,225	-		8,233
Non-interest expense:					
Salaries and employees benefits	7,996	6,181	-		14,177
Data processing	413	513	-		926
Professional services	1,378	795	-		2,173
Office occupancy	701	1,333	-		2,034
Directors compensation	354	111	-		465
Deposit insurance	314	522	-		836
Advertisings	165	132	-		297
Other	1,854	2,421	161	(3)	4,436



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Total non-interest expense	13,175	12,008	161	(4)	25,344
Income (loss) before income taxes	2,348	522	276		3,146
Income taxes	116	221	94	(5)	431
Net income	\$2,232	\$301	\$ 182		\$2,715
Earnings per share - basic	\$0.27	\$0.10			\$0.28
Earnings per share - diluted	\$0.26	\$0.09			\$0.30
Weighted average common shares outstanding:					
Basic	8,335,273	3,129,979			9,606,320
Diluted	8,450,090	3,348,827			9,016,771

*The accompanying notes are an integral part of these pro forma statements.*

1. Assumes the merger with Polonia was completed at the beginning of the period presented or October 1, 2014. These pro forma acquisition adjustments reflect the amortization/accretion for the year ended September 30, 2015 of
2. acquisition adjustments related to loans, deposits and borrowings utilizing the straight line method over the estimated life of the related assets or liabilities which are 5.0 years, 1.5 years and 2.8 years, respectively.

*(Footnotes on following page)*

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3. Represents amortization of \$1.3 million core deposit intangible on a straight line method over eight years.
4. Reflects the tax impact of the pro forma acquisition adjustments at Prudential's statutory income tax rate of 34.0%. Prudential expects to incur approximately \$3.1 million, on an after-tax basis, in total transaction costs as a result of
5. the proposed merger. Non-interest expenses do not reflect anticipated costs savings or transaction expenses. A summary of Prudential's transaction expenses are as follows (in thousands):

Professional fees	\$555
Legal reserve	750
Other related expenses	1,462
Data processing termination and conversion costs	1,950
Estimated pre-tax transaction costs	4,717
Less related tax benefit	(1,519)
Estimated transaction costs, net of taxes	\$3,113

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**RISK FACTORS**

*In addition to general investment risks and the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the heading “Cautionary Statement Regarding Forward-Looking Statements,” and the matters discussed under the caption “Risk Factors” in the Annual Report on Form 10-K for the fiscal year ended September 30, 2015 filed by Prudential, you should carefully consider the following risk factors in deciding how to vote on the proposals presented in this proxy statement/prospectus.*

**Risk Factors Related to the Merger**

*Because the market price of Prudential common stock will fluctuate, Polonia shareholders cannot be sure of the exact market value of the Prudential common stock they may receive.*

Upon completion of the merger, each share of Polonia common stock will be converted into the right to receive merger consideration consisting of shares of Prudential common stock and/or cash pursuant to the terms of the merger agreement, subject to the limitations on the percentage of Polonia shares of common stock that can be exchanged for Prudential shares of common stock or cash and the proration provisions of the merger agreement, which apply in the event that Polonia shareholders making elections as to their preferred form of consideration oversubscribe for shares of Prudential common stock or cash. The market value of the Prudential common stock constituting a portion of the merger consideration may vary from the closing price of Prudential common stock on the date the parties initially announced the merger, on the date that this proxy statement/prospectus was first mailed or delivered to Polonia shareholders, on the date of the special meeting of the Polonia shareholders and on the date the merger is completed and thereafter. Any change in the market price of Prudential common stock prior to completion of the merger will affect the market value of the portion of the merger consideration consisting of Prudential shares. Accordingly, at the time of the special meeting of Polonia shareholders, Polonia shareholders will not know or be able to calculate the market value of the Prudential common stock constituting the stock portion of the merger consideration that Polonia shareholders may receive upon completion of the merger. Polonia is not generally permitted to terminate the merger agreement or re-solicit the vote of Polonia shareholders solely because of changes in the market prices of Prudential’s stock. However, Polonia may terminate the merger agreement in certain limited circumstances involving a decrease in the trading price of Prudential’s common stock, if (i) the average closing price of Prudential common stock during a specified period prior to closing is less than \$11.89 and (y) Prudential’s common stock underperforms the NASDAQ Bank Index by more than 20%, unless Prudential elects to make a compensating adjustment to the exchange ratio. Other than a possible compensating adjustment by Prudential to the exchange ratio under these circumstances, the parties do not expect that any adjustment will be made to the exchange ratio based on changes in the stock price of either company. Stock prices may change as a result of a variety of factors, including general market and economic conditions, changes in Prudential’s and Polonia’s respective businesses, operations and prospects, and regulatory considerations. Many of these factors are beyond the control of either Prudential or Polonia. You should obtain current market quotations for shares of Prudential common stock.

***Because the merger consideration is subject to adjustment, you will not be sure of the exchange ratio or the amount of the cash consideration at the time of the Polonia special meeting or, possibly, at the time you submit your election to receive either the stock consideration or the cash consideration.***

The exchange ratio of 0.7591 of a share of Prudential common stock for a share of Polonia common stock and the cash consideration of \$11.28 per share are subject to downward adjustment if the adjusted consolidated stockholders' equity of Polonia, as determined in accordance with the merger agreement, is less than \$37,401,000 (the amount of Polonia's consolidated stockholders' equity as of April 30, 2016) as of the end of the month following receipt of all shareholder and regulatory approvals. The exchange ratio and the cash consideration are subject to upward adjustment to reflect recoveries or reversals of liabilities with respect to certain litigation matters and termination of certain benefit arrangements with Polonia's former chief executive officer. See "The Merger Agreement – Consideration to be Received in the Merger" for an explanation of the possible price adjustment. Whether the exchange ratio and the cash consideration will be adjusted will not be known at the time of the Polonia special meeting and may not be known at the time you submit your election to receive either the stock consideration or the cash consideration.

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***Polonia shareholders may receive a form of consideration that is different from their elections.***

As described elsewhere in this proxy statement/prospectus, Polonia shareholders will be able to elect to receive either cash or shares of Prudential common stock as consideration in the merger. However, the merger agreement limits the amount of cash and shares of Prudential common stock available to fulfill the elections of Polonia shareholders, and, as a result, Polonia shareholders may receive a form of merger consideration that is different from the form they specified in their elections. The election of shares of Prudential common stock or cash will be subject to proration such that such that 50% of the issued and outstanding shares of Polonia common stock will be exchanged for Prudential common stock and 50% will be exchanged for cash. If a Polonia shareholder elects all cash and the cash portion of the merger consideration is oversubscribed, that shareholder will receive a portion of the merger consideration in Prudential common stock. If a Polonia shareholder elects all stock and the stock portion of the merger consideration is oversubscribed, that shareholder will receive a portion of the merger consideration in cash. Please see “The Merger Agreement — Proration Procedures” beginning on page [•] of this proxy statement/prospectus for a more detailed description of the proration provisions applicable to the elections made by Polonia shareholders.

***The market price of Prudential common stock following the completion of the merger may be affected by factors different from those currently affecting the shares of Prudential or Polonia.***

Upon completion of the merger, holders of Polonia common stock will become holders of Prudential common stock. Prudential’s business and operations differ in certain important respects from that of Polonia and, accordingly, the results of operations of the combined company and the market price of Prudential common stock following completion of the merger may be affected by factors different from those currently affecting the independent results of operations of each of Prudential and Polonia.

For a discussion of the business of Polonia, see “Information about Polonia Bancorp” beginning on page [•]. For a discussion of the business of Prudential and of certain factors to consider in connection with that business, see the documents incorporated by reference in this proxy statement/prospectus and referred to under “Where You Can Find More Information” beginning on page [•].

***If you are a Polonia shareholder and you tender shares of Polonia common stock to make an election, you will not be able to sell those shares, unless you revoke your election prior to the election deadline.***

If you are a registered Polonia shareholder and want to make a valid cash or stock election, you will have to deliver your stock certificates (or follow the procedures for guaranteed delivery), and a properly completed and signed election form to the exchange agent prior to the election deadline. You will not be able to sell any shares of Polonia common stock that you have delivered as part of your election unless you revoke your election before the election

deadline by providing written notice to the exchange agent. If you do not revoke your election, you will not be able to liquidate your investment in Polonia common stock for any reason until you receive the merger consideration. In the time between the election deadline and the closing of the merger, the trading price of Polonia or Prudential common stock may decrease, and you might otherwise want to sell your shares of Polonia common stock to gain access to cash, make other investments, or reduce the potential for a decrease in the value of your investment. The date that you will receive your merger consideration depends on the completion date of the merger, which is uncertain. The completion date of the merger might be later than expected due to unforeseen events, such as delays in obtaining regulatory approvals.

***Polonia will be subject to business uncertainties and contractual restrictions while the merger is pending.***

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on Polonia and, consequently, on Prudential. These uncertainties may impair Polonia's ability to attract, retain and motivate key personnel until the merger is consummated, and could cause customers and others that have business dealings with Polonia to seek to terminate or change their existing business relationships with Polonia. Retention of certain employees may be challenging during the pendency of the merger, as certain employees may experience uncertainty about their future roles with the combined company. If key employees depart prior to the completion of the merger or decide not to remain with the combined company following completion of the merger, Prudential's business following the merger could be adversely affected. In addition, the merger agreement restricts Polonia from making certain acquisitions and taking other specified actions until the merger occurs without the consent of

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Prudential. These restrictions may prevent Polonia from pursuing attractive business opportunities that may arise prior to the completion of the merger.

Please see “The Agreement and Plan of Merger – Covenants and Agreements” beginning on page [•] for a description of the restrictive covenants to which Polonia is subject.

***The opinions of Polonia’s financial advisor will not reflect changes in circumstances between the signing of the merger agreement and the completion of the merger.***

Polonia has not obtained an updated opinion as of the date of this proxy statement/prospectus from its financial advisor. Changes in the operations and prospects of Prudential or Polonia, general market and economic conditions and other factors that may be beyond the control of Prudential or Polonia, including changes in factors on which the fairness opinion was based, may significantly alter the value of the companies or the share prices of Prudential common stock or Polonia common stock by the time the merger is completed. FinPro’s opinion does not speak as of the time the merger will be completed or as of any date other than the date of such opinion. Polonia’s board of directors’ recommendation that Polonia shareholders vote “FOR” approval of the proposals relating to the merger, however, is made as of the date of this proxy statement/prospectus. Polonia does not currently anticipate asking its financial advisor to update its opinion.

Please see “The Merger – Opinion of Polonia’s Financial Advisor” beginning on page [•] for information regarding the opinion of Polonia’s financial advisor. Please see “The Merger – Background of the Merger,” and “The Merger – Polonia’s Reasons for the Merger; Recommendation of Polonia’s Board of Directors” beginning on page [•] and page [•], respectively, for a discussion of additional factors considered by Prudential’s board of directors and Polonia’s board of directors in determining to recommend that shareholders approve the proposals relating to the merger.

***Combining the two companies may be more difficult, costly or time-consuming than expected and the anticipated benefits and cost savings of the merger may not be realized.***

Polonia has operated and, until the completion of the merger, will continue to operate, independently. The challenges involved in combining the operations of the two companies include, among other things, integrating personnel with diverse business backgrounds, combining different corporate cultures, and retaining key employees. It is possible that the integration process could result in the loss of key employees or disruption of each company’s ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect Prudential’s and Polonia’s ability to maintain relationships with customers and employees or to achieve the anticipated benefits of the merger. The integration of the two companies will likely require the experience and expertise of certain key employees of Polonia. Prudential may not be successful in retaining these employees for the time period necessary to successfully integrate

Polonia's operations with those of Prudential. In addition, as with any merger of banking institutions, there also may be business disruptions that cause us to lose customers or cause customers to take their deposits out of Prudential Bank or Polonia Bank. The success of the combined company following the merger may depend in large part on the ability to integrate the two businesses, business models and cultures. Prudential may not be able to successfully achieve the level of cost savings, revenue enhancements, and other anticipated synergies, and may not be able to capitalize upon the existing customer relationships of Polonia to the extent anticipated, or it may take longer, or be more difficult or expensive than expected to achieve these goals. If Prudential is not able to integrate Polonia's operations successfully and in a timely manner, the expected benefits of the merger may not be realized, and this could have an adverse effect on Prudential's business, results of operation and stock price.

***Regulatory approvals may not be received, may take longer than expected or impose conditions that are not currently anticipated.***

Before the transactions contemplated by the merger agreement, including the merger, may be completed, various approvals or consents must be obtained from the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Pennsylvania Department of Banking and Securities. These governmental entities may impose conditions on the completion of the merger or require changes to the terms of the merger agreement. Although Prudential and Polonia do not currently expect that any such conditions or changes will be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the transactions contemplated by the merger agreement or imposing additional costs on or limiting the revenues of



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Prudential, any of which might have a material adverse effect on Prudential following the merger. There can be no assurance as to whether the necessary regulatory approvals will be received, the timing of those approvals, or whether any non-standard and/or non-customary conditions will be imposed.

***The merger agreement limits Polonia's ability to pursue alternatives to the merger.***

The merger agreement includes provisions that limit Polonia's ability to pursue alternative proposals from third parties to acquire all or a significant part of Polonia. Subject to certain specified exceptions, these "no shop" provisions limit Polonia's ability to discuss, facilitate or commit to competing third-party acquisition proposals. In addition, a termination fee would be payable by Polonia to Prudential under certain circumstances, generally involving a determination by Polonia to pursue an alternative transaction. These provisions could discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of Polonia from considering or proposing an acquisition, even if it were prepared to pay consideration with a higher per share value than that proposed to be paid by Prudential to Polonia shareholders in the merger, or might result in a potential competing acquiror proposing to pay a lower per share price to acquire Polonia than it might otherwise have proposed to pay.

***If the conditions to the merger are not met or waived, the merger will not occur.***

Specified conditions in the merger agreement must be satisfied or waived in order to complete the merger, including shareholder approval of the proposals being submitted to shareholders of Polonia at its special meeting. Prudential and Polonia cannot assure you that each of the conditions will be satisfied or waived. If the conditions are not satisfied or waived, the merger will not occur or will be delayed, which could cause some or all of the intended benefits of the merger to be lost and could adversely affect the value of Prudential's and/or Polonia's shares.

***The merger may be completed even though Prudential or Polonia experiences adverse changes in its business.***

In general, either Prudential or Polonia may refuse to complete the merger if the other party suffers a material adverse effect on its business prior to the closing of the merger. However, certain types of changes or occurrences with respect to Prudential or Polonia would not prevent the merger from going forward, even if the change or occurrence would have adverse effects on Prudential or Polonia, including the following:

changes in laws and regulations affecting banks or thrift institutions or their holding companies generally, or interpretations thereof by courts or governmental entities, if such changes do not have a disproportionate impact on the affected company;

changes in GAAP or regulatory accounting principles generally applicable to financial institutions and their holding companies, if such changes do not have a disproportionate impact on the affected company;

actions and omissions of Prudential or Polonia with the prior written consent of the other party;

changes or effects from the announcement of the merger agreement and the transactions contemplated thereby, and compliance by the parties with the merger agreement on the business, financial condition or results of operations of the parties;

changes in national or international political or social conditions including the engagement by the United States in hostilities, the occurrence of any military or terrorist attack upon or within the United States, or any of its territories, possessions or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States, if such changes do not have a disproportionate impact on the affected company;

changes in economic, financial market, or geographic conditions in general, including changes in economic or financial markets or changes in interest rates; if such changes do not have a disproportionate impact on the affected company;

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any legal action asserted or other actions initiated by any Polonia or Prudential shareholder arising out of or related to the merger agreement; and

any failure, in and of itself, of Prudential or Polonia to meet any internal projections, forecasts or revenue or earnings projections.

In addition, either Prudential or Polonia could waive the closing condition related to the occurrence of any material adverse effect on the other party and the merger would be completed even if a material adverse effect were to occur of a type that would otherwise allow a party to terminate the merger agreement or refuse to complete the merger.

***If the merger is not consummated by February 28, 2017, either Prudential or Polonia may choose not to proceed with the merger.***

Either Prudential or Polonia may terminate the merger agreement if the merger has not been completed by February 28, 2017, unless the failure of the merger to be completed has resulted from the material failure of the party seeking to terminate the merger agreement to perform its obligations.

***Termination of the merger agreement or failure to complete the merger could negatively impact Polonia.***

If the merger agreement is terminated or the merger is not completed for any reason, there may be various adverse consequences to Polonia. For example, Polonia's businesses may have been impacted adversely by the failure to pursue other potentially beneficial opportunities due to the focus of its management team on the merger, without realizing any of the anticipated benefits of completing the merger. Additionally, if the merger agreement is terminated, the value of Polonia's shares could decline to the extent that the current value reflects a market assumption that the merger will be completed.

If the merger agreement is terminated and Polonia's board of directors seeks another merger or business combination, Polonia shareholders cannot be certain that Polonia will be able to find a party willing to pay an equivalent or higher price than the price Prudential has agreed to pay in the merger. Furthermore, under certain circumstances, Polonia will be obligated to pay Prudential a termination fee of \$1,515,000 if the merger agreement is terminated.

Please see "The Agreement and Plan of Merger – Termination of the Merger Agreement" and "The Agreement and Plan of Merger—Termination Fee" beginning on page [•] and page [•], respectively.

***Certain of Polonia's directors and executive officers have interests in the merger that differ from the interests of Polonia's shareholders generally.***

Polonia's shareholders should be aware that Polonia's directors and executive officers have interests in the merger and have arrangements that are different from, or in addition to, those of Polonia's shareholders including potential severance payments to three executive officers of Polonia. These interests and arrangements may create potential conflicts of interest. Polonia's board of directors was aware of these interests and considered these interests, among other matters, when making its decision to approve the merger agreement and recommend that Polonia shareholders adopt and approve the merger agreement.

For a more complete description of these interests, please see "The Merger – Interests of Certain Persons in the Merger that are Different From Yours" beginning on page [•].

***The unaudited pro forma combined condensed consolidated financial information included in this document is preliminary and the actual financial condition and results of operations of Prudential following completion of the merger may differ materially.***

The unaudited pro forma combined condensed consolidated financial information included in this document is presented for illustrative purposes only and are not necessarily indicative of what Prudential's actual financial condition or results of operations would have been had the merger been completed on the dates indicated. The unaudited pro forma combined condensed consolidated financial information reflects adjustments, which are

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based upon preliminary estimates, to record the Polonia identifiable assets acquired and liabilities assumed at fair value and the resulting goodwill recognized. The purchase price allocation reflected in this document is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the fair value of the assets and liabilities of Polonia as of the date of the completion of the merger. Accordingly, the final acquisition accounting adjustments may differ materially from the pro forma adjustments reflected in this document.

Please see “Unaudited Pro Forma Combined Condensed Consolidated Financial Information” beginning on page [•] for additional information regarding these financial statements.

***The shares of Prudential common stock to be received by Polonia shareholders as consideration in the merger will have different rights from the shares of Polonia common stock currently held by them.***

The rights associated with Polonia common stock are different from the rights associated with Prudential common stock in certain significant respects. Upon completion of the merger, Polonia shareholders who receive shares of Prudential common stock as consideration in the merger will become Prudential shareholders and their rights as shareholders will be governed by the articles of incorporation and bylaws of Prudential and provisions of Pennsylvania law applicable to registered companies like Prudential.

Please see “Comparison of Prudential and Polonia Shareholders’ Rights” beginning on page [•] for a discussion of the different rights associated with Prudential common stock.

***Holders of Polonia common stock will have a reduced ownership and voting interest in the combined company after the merger and will exercise less influence over management.***

Holders of Polonia common stock currently have the right to vote in the election of the board of directors and the power to approve or reject any matters requiring shareholder approval under Maryland law and Polonia’s articles of incorporation and bylaws. Upon completion of the merger, Polonia shareholders who receive shares of Prudential common stock as consideration in the merger will become Prudential shareholders, with a percentage ownership of Prudential that is smaller than such shareholder’s current percentage ownership of Polonia. Based on the number of shares of Polonia and Prudential common stock outstanding on [•] and based on the shares of common stock expected to be issued by Prudential in the merger, the former shareholders of Polonia as a group will receive shares of Prudential common stock in the merger constituting approximately 13.6% of the outstanding shares of Prudential common stock immediately following completion of the merger. As a result, current Polonia shareholders will have significantly less influence on the management and policies of Prudential than they now have on the management and policies of Polonia.

***The merger may fail to qualify as a tax-free reorganization under the Internal Revenue Code.***

The merger of Polonia into Prudential has been structured to qualify as a tax-free reorganization under Section 368(a) of the Internal Revenue Code. The closing of the merger is conditioned upon the receipt by each of Prudential and Polonia of an opinion of its respective tax advisor, each dated as of the effective date of the merger, substantially to the effect that, on the basis of facts, representations and assumptions set forth or referred to in that opinion (including factual representations contained in certificates of officers of Polonia and Prudential) which are consistent with the state of facts existing as of the effective date of the merger, the merger constitutes a reorganization under Section 368(a) of the Internal Revenue Code. The tax opinions to be delivered in connection with the merger will not be binding on the Internal Revenue Service, referred to as the IRS, or the courts, and neither Polonia nor Prudential intends to request a ruling from the IRS with respect to the United States federal income tax consequences of the merger. If the merger fails to qualify as a tax-free reorganization, a Polonia shareholder would likely recognize gain or loss on each share of Polonia exchanged for Prudential stock in the amount of the difference between the fair market value of the Prudential common stock and cash received by the Polonia shareholder in exchange and the shareholder's basis in the Polonia shares surrendered.

In addition, the federal income tax consequences of the merger for Polonia shareholders will depend on the merger consideration received – cash, shares of Prudential common stock, or a combination thereof. In general, a Polonia shareholder exchanging shares of Polonia common stock solely for cash will recognize gain or loss for federal income tax purposes in an amount equal to the difference between the cash received and such shareholder's adjusted tax basis in the shares of Polonia common stock. A Polonia shareholder exchanging shares of Polonia

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common stock solely for shares of Prudential common stock generally will not recognize any gain or loss for federal income tax purposes (except with respect to any cash received in lieu of a fractional share of Prudential common stock). A Polonia shareholder exchanging shares of Polonia common stock for a combination of cash and shares of Prudential common stock generally will not recognize loss but will recognize gain, equal to the lesser of (1) the excess, if any, of the sum of the cash received and the fair market value of the Prudential common stock received pursuant to the merger over that shareholder's adjusted tax basis in his or her shares of Polonia common stock surrendered, and (2) the amount of cash consideration received by that shareholder pursuant to the merger.

See "Material United States Federal Income Tax Consequences of the Merger" beginning on page [•] for a more detailed discussion of the federal income tax consequences of the transaction.

***If the merger is not completed, Prudential and Polonia will have incurred substantial expenses without realizing the anticipated benefits of the merger.***

Each of Prudential and Polonia has incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the merger agreement, as well as the costs and expenses of filing, printing, and mailing this proxy statement/prospectus, and all SEC filing fees and other fees payable in connection with the merger. The completion of the merger depends on the satisfaction of a variety of specified conditions, including the receipt of regulatory approvals and the approval of Polonia's shareholders of the proposals to be presented at Polonia's special meeting. Neither Prudential nor Polonia can guarantee that these conditions will be met. If the merger is not completed, Prudential and Polonia would have to recognize these expenses without realizing the expected benefits of the merger, and such expenses could have an adverse impact on Prudential's and/or Polonia's financial condition and results of operations on a stand-alone basis.

**Risks Relating to Prudential's Business Following the Merger**

***Combining the two companies may be more difficult, costly or time-consuming than expected.***

Prudential and Polonia have historically operated and, until the effective time of the merger, will continue to operate, independently. The success of the merger will depend, in part, on Prudential's ability to successfully combine the businesses of Prudential and Polonia. To realize these anticipated benefits, after the effective time of the merger, Prudential expects to integrate Polonia's business into its own. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the combined company's ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the merger. The loss of key employees could adversely affect Prudential's ability to successfully conduct its business in the markets in which

Polonia now operates, which could have an adverse effect on Prudential's financial results and the value of its common stock. If Prudential experiences difficulties with the integration process, the anticipated benefits of the merger may not be realized fully or at all, or may take longer to realize than expected. As with any merger of financial institutions, there also may be business disruptions that cause Polonia or Prudential to lose current customers or cause current customers to remove their accounts from Polonia or Prudential and move their business to competing financial institutions. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of Polonia and Prudential during this transition period and for an undetermined period after consummation of the merger.

***Prudential may fail to realize the cost savings estimated for the merger.***

Prudential estimates that it will achieve cost savings from the merger when the two companies have been fully integrated. While Prudential continues to be comfortable with these expectations as of the date of this proxy statement/prospectus, it is possible that the estimates of the potential cost savings could turn out to be incorrect.

The actual integration may result in additional and unforeseen expenses, and the anticipated benefits of the integration plan may not be realized. Actual growth and cost savings, if achieved, may be lower than what Prudential expects and may take longer to achieve than anticipated. If Prudential is not able to adequately address integration challenges, Prudential may be unable to successfully integrate Prudential's and Polonia's operations or to realize the anticipated benefits of the integration of the two companies.



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**Risks Relating to Prudential's Business**

You should read and consider risk factors specific to Prudential' business that will also affect the combined company after the merger. These risks are described in the section entitled "Risk Factors" in Prudential's Annual Report on Form 10-K for the fiscal year ended September 30, 2015 and in other documents incorporated by reference into this proxy statement/prospectus. See the section entitled "Where You Can Find More Information" beginning on page [•] for the location of information incorporated by reference into this proxy statement/prospectus.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Certain of the statements contained in this proxy statement/prospectus and the documents incorporated by reference herein constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, expectations or predictions of future financial or business performance, conditions relating to Prudential and Polonia, and the possible effects of the proposed merger of Prudential and Polonia. These forward-looking statements include statements with respect to Prudential's and Polonia's beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions, that are subject to significant risks and uncertainties, and are subject to change based on various factors (some of which are beyond Prudential's and Polonia's control). The words "may," "could," "should," "would," "will," "believe," "anticipate," "estimate," "expect," "intend" and similar expressions are intended to identify forward-looking statements.

In addition to factors previously disclosed in the reports filed by Prudential with the SEC and those identified elsewhere in this proxy statement/prospectus, the following factors, among others, could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements:

- the ability to obtain regulatory approvals and satisfy other closing conditions to the merger, including approval by shareholders of Polonia on the expected terms and schedule;

- delay in closing the merger;

- difficulties and delays in integrating the Polonia business or fully realizing anticipated cost savings and other benefits of the merger;

- business disruptions following the merger;

- revenues following the merger may be lower than expected;

- deposit attrition, operating costs, customer loss and business disruption following the merger, including, without limitation, difficulties in maintaining relationships with employees, may be greater than expected;

- the strength of the United States economy in general and the strength of the local economies in which Prudential and Polonia conduct their operations;

the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board;

- the downgrade, and any future downgrades, in the credit rating of the U.S. Government and federal agencies;

· inflation, interest rate, market and monetary fluctuations;

the timely development of and acceptance of new products and services and the perceived overall value of these products and services by users, including the features, pricing and quality compared to competitors' products and services;

- the willingness of users to substitute competitors' products and services for Prudential's products and services;

- the success of Prudential in gaining regulatory approval of its products and services, when required;

the impact of changes in laws and regulations applicable to financial institutions (including laws concerning taxes, banking, securities and insurance);

· technological changes;

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additional acquisitions;

changes in consumer spending and saving habits;

the nature, extent, and timing of governmental actions and reforms, including the implementation of Basel III, which may be changed unilaterally and retroactively by legislative or regulatory actions; and

the success of Prudential at managing the risks involved in the foregoing.

Some of these risks and uncertainties are discussed herein, including under the heading “Risk Factors,” and in Prudential’s Form 10-K for the year ended September 30, 2015, as updated subsequently filed Forms 10-Q and other reports filed by Prudential with the SEC from time to time.

All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters and attributable to directors of Prudential or Polonia or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to within this proxy statement/prospectus. Forward-looking statements speak only as of the date on which such statements are made. Prudential and Polonia undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this proxy statement/prospectus or incorporated documents might not occur and you should not put undue reliance on any forward-looking statements.

Prudential and Polonia caution that the foregoing list of important factors is not exclusive. Readers are also cautioned not to place undue reliance on these forward-looking statements, which reflect Prudential’s and Polonia’s analysis only as of the date of this proxy statement/prospectus.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF POLONIA**

The following table sets forth information as to the Polonia common stock beneficially owned, as of July 1, 2016, the record date for shares eligible to vote at the Polonia special meeting, by (i) the only persons or entities, including any “group” as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), who or which was known to Polonia to be the beneficial owner of more than 5% of the issued and outstanding Polonia common stock, (ii) each director of Polonia, (iii) certain executive officers of Polonia, and (iv) all directors and executive officers of Polonia as a group.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership as of July 1, 2016(1)(2)(3)	Percent of Common Stock	
Directors and Certain Officers:			
Dr. Eugene Andruczyk	45,040	1.3	%
Frank J. Byrne	50,183	1.5	
Joseph M. Callahan	7,329	*	
Kevin J. Gallagher	—	—	
Paul D. Rutkowski	126,848	3.7	
Joseph T. Svetik	15,809	*	
Robert J. Woltjen	53,730	1.6	
Directors and executive officers of Polonia as a group (seven persons)	298,939	8.6	
Polonia Bank Employee Stock Ownership Plan 3993 Huntingdon Pike, 3rd Floor Huntingdon Valley, Pennsylvania 19006	249,009	7.4	
Stilwell Value Partners IV, L.P., Stilwell Associates, L.P.,  Stilwell Partners, L.P., Stilwell Value LLC, and Joseph  Stilwell <sup>(4)</sup>	282,479	8.4	
111 Broadway, 12th Floor  New York, New York 10006			
Homestead Partners LP, Arles Partners LP, Arles Advisors  Inc., and Warren A. Mackey <sup>(5)</sup>	234,209	7.0	

40 Worth Street, 10th Floor

New York, NY 10013

Maltese Capital Holdings, LLC, Malta Hedge Fund II, L.P.,

and Terry Maltese<sup>(6)</sup>

329,900

9.9

150 East 52nd Street, 30th Floor

New York, New York 10022

PL Capital Group<sup>(7)</sup>

20 East Jefferson Avenue, Suite 22

219,575

6.6

Naperville, Illinois 60540

Lawrence B. Seidman<sup>(8)</sup>

100 Misty Lane, 1st Floor

182,168

5.4

Parsippany, New Jersey 07054

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\* Amounts to less than 1.0% of the issued and outstanding Polonia common stock.

Pursuant to rules promulgated by the SEC under the Exchange Act, a person or entity is considered to beneficially (1) own shares of Polonia common stock if the person or entity has or shares (i) voting power, which includes the power to vote

*(footnotes continued on following page)*

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or to direct the voting of the shares, or (ii) investment power, which includes the power to dispose or direct the disposition of the shares. Unless otherwise indicated, a person has sole voting power and sole investment power with respect to the indicated shares. Under applicable regulations, a person is deemed to have beneficial ownership of any shares of Polonia common stock which may be acquired within 60 days of the Polonia record date pursuant to the exercise of outstanding stock options. Shares of Polonia common stock which are subject to exercisable stock options are deemed to be outstanding for the purpose of computing the percentage of outstanding Polonia common stock owned by such person or group but not deemed outstanding for the purpose of computing the percentage of Polonia common stock owned by any other person or group. Includes stock options which have been granted to the directors and officers under Polonia's 2007 Equity Incentive Plan or under the 2013 Equity Incentive Plan and which are exercisable within 60 days of the voting record date as follows: 12,434 options for each of Messrs. Andruczyk, Byrne and Woltjen, 3,414 options for Mr. Callahan, 58,760 options for Mr. Rutkowski and 11,952 options for Mr. Svetik.

Includes shares allocated to the account of the individuals under the Polonia Bank Employee Stock Ownership Plan with respect to which the individual has voting but not investment power as follows: Mr. Rutkowski – 9,911 shares.  
(2) Includes shares held in the Polonia Bank 401(k) Plan accounts with respect to which the individual has voting but not investment power as follows: Mr. Rutkowski – 112 shares. Includes shares held in the non-qualified deferred compensation plan accounts with respect to which the individual has voting but not investment power as follows: Mr. Rutkowski – 33,284 shares.

Includes 2,049 unvested stock awards held in trust with respect to which the individual has voting but not  
(3) investment power for each of Messrs. Andruczyk, Byrne, Callahan and Woltjen and 8,194 unvested stock awards held in trust with respect to which the individual has voting but not investment power for Mr. Rutkowski.

Based exclusively on a Schedule 13D/A filed with the Securities and Exchange Commission on July 1, 2015,  
(4) which was filed jointly by the following parties: Stilwell Value Partners V, L.P.; Stilwell Activist Fund, L.P.; Stilwell Partners, L.P.; Stilwell Activist Investments, L.P.; Stilwell Value LLC; and Joseph Stilwell.

Based exclusively on a Schedule 13D/A filed with the Securities and Exchange Commission on February 18, 2015,  
(5) which was filed jointly by the following parties: Homestead Partners LP, Arles Partners LP, Arles Advisors Inc., and Warren A. Mackey.

Based exclusively on a Schedule 13G/A filed with the Securities and Exchange Commission on February 11, 2016,  
(6) which was filed jointly by the following parties: Maltese Capital Management LLC, Maltese Capital Holdings, LLC, Malta Hedge Fund II, L.P. and Terry Maltese.

(7) Based exclusively on a Schedule 13D/A filed with the Securities and Exchange Commission on August 29, 2014, which was filed jointly by the following parties: Financial Edge Fund, L.P., Financial Edge—Strategic Fund, L.P., Goodbody/PL Capital, L.P., PL Capital LLC, PL Capital/Focused Fund, L.P., Goodbody/PL Capital, LLC, PL Capital Advisors, LLC, John W. Palmer, Richard J. Lashley and Beth R. Lashley, as trustee of the Doris Lashley

Testamentary Trust. All of the filers of this Schedule 13D/A are collectively referred to as the “PL Capital Group.”

Based exclusively on a Schedule 13D filed with the Securities and Exchange Commission on November 19, 2014, which was filed jointly by the following parties: Seidman and Associates, L.L.C., Seidman Investment Partnership, (8)L.P., Seidman Investment Partnership II, L.P., Seidman Investment Partnership III, L.P., LSBK06-08, L.L.C., Broad Park Investors, L.L.C., CBPS, LLC, 2514 Multi-Strategy Fund L.P., Veteri Place Corporation, JBRC I, LLC, and Lawrence B. Seidman.



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**Polonia SPECIAL MEETING**

This section contains information from Polonia for Polonia shareholders about the Polonia special meeting. This proxy statement/prospectus is being mailed to each Polonia shareholder, on or about [ • ], 2016. Together with this proxy statement/prospectus, Polonia shareholders are also receiving a notice of the special meeting of Polonia shareholders and a form of proxy that Polonia's board of directors is soliciting for use at the Polonia special meeting and at any adjournments or postponements thereof.

**Date, Place and Time of the Meeting**

The Polonia special meeting will be held on [ • ], 2016, at [ • ] a.m., local time, at 3993 Huntingdon Pike, 3rd Floor, Huntingdon Valley, Pennsylvania.

This proxy statement/prospectus also serves as a prospectus in connection with the issuance of shares of Prudential common stock to Polonia shareholders upon completion of the merger.

**Matters to Be Considered at Polonia Special Meeting**

At the special meeting, Polonia shareholders will vote on a proposal to approve the merger agreement and the transactions contemplated thereby. You also may be asked to vote on a proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the merger agreement. Polonia could use any adjournment or postponement of the special meeting for the purpose, among others, of allowing more time to solicit votes in favor of the approval and adoption of the merger agreement.

**Recommendation of Polonia's Board of Directors**

Polonia's board of directors has approved the merger agreement and the transactions contemplated thereby, including the merger, and unanimously recommends that Polonia shareholders vote "FOR" approval and adoption of the merger agreement and the transactions contemplated thereby.

Polonia's board of directors also unanimously recommends that Polonia shareholders vote "FOR" approval of the proposal to allow the Polonia special meeting to be adjourned, if necessary or appropriate, to permit the solicitation of additional proxies in favor of approval and adoption of the merger agreement.

### **Record Date for Polonia Special Meeting**

Polonia's board of directors has fixed the close of business on [ • ], 2016 as the record date for determining the Polonia shareholders entitled to receive notice of and to vote at the Polonia special meeting. Only Polonia shareholders of record as of the record date are entitled to vote at the Polonia special meeting. As of the record date, 3,348,827 shares of Polonia common stock were issued and outstanding and held by approximately [-] record holders. Polonia shareholders are entitled to one vote on each matter considered and voted on at the Polonia special meeting for each share of Polonia common stock held of record at the close of business on the record date.

### **Quorum; Vote Required**

The presence, in person or by properly executed proxy, of the holders of a majority of the issued and outstanding shares of Polonia common stock entitled to vote at the Polonia special meeting is necessary to constitute a quorum at the Polonia special meeting. For purposes of determining the presence of a quorum, abstentions and broker non-votes will be counted as present for the purpose of determining whether a quorum is present.

Approval and adoption of the merger agreement requires the affirmative vote of a majority of the total number of shares of Polonia common stock outstanding and entitled to vote at the Polonia special meeting. Approval of the adjournment proposal also requires the affirmative vote of a majority of the votes cast by holders of Polonia common stock entitled to vote at the Polonia special meeting. A failure to vote by a Polonia shareholder entitled to

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vote, an abstention from voting or a broker non-vote will have no effect on the outcome of the vote to approve either proposal.

As of the record date for the Polonia special meeting, Polonia directors and executive officers beneficially owned approximately 187,511 shares (excluding shares that may be acquired upon the exercise of stock options), or 5.6%, of the outstanding shares of Polonia common stock entitled to vote at the Polonia special meeting. In connection with Polonia's entry into the merger agreement, Polonia's directors and certain executive officers entered into voting agreements that require, among other things, the directors and certain executive officers to vote in favor of the approval and adoption of the merger agreement at the Polonia special meeting.

As of the record date for the Polonia special meeting, Prudential, its subsidiaries, and its directors and officers and their affiliates did not own or hold any shares of Polonia common stock (other than shares held as fiduciary, custodian or agent).

### **Solicitation of Proxies for Polonia Special Meeting**

Polonia has engaged \_\_\_\_\_ as its proxy solicitor to assist in the solicitation of proxies for the Polonia special meeting. The proxy solicitor will be paid a fee of approximately \$ \_\_\_\_\_ for its services. The expense of soliciting proxies for Polonia's special meeting will be paid by Polonia. Polonia's directors, officers and employees may also solicit proxies personally, by telephone, by e-mail and by facsimile. Such directors, officers and employees will not receive any additional compensation for such solicitation activities.

**It is important that any shares of Polonia common stock you hold be represented at the Polonia special meeting. Whether or not you plan to attend the Polonia special meeting, Polonia's board of directors asks that all holders of Polonia common stock take the time to vote prior to the Polonia special meeting by completing, signing, dating and returning the enclosed proxy card as soon as possible in the enclosed postage-paid envelope, by calling the toll-free telephone number or by using the Internet as described in the instructions included with your proxy card. If you attend the Polonia special meeting and wish to vote in person, your proxy may be revoked at that time. Additional methods of revoking a proxy are described below.**

### **Voting at Polonia Special Meeting**

Polonia shareholders are entitled to one vote on each matter to be considered and voted on at the Polonia special meeting for each share of Polonia common stock held of record at the close of business on the record date for the

Polonia special meeting.

Each copy of this proxy statement/prospectus delivered to Polonia shareholders is accompanied by a form of proxy card with instructions for voting. If you hold stock in your name as a shareholder of record, you should complete, sign and return the proxy card accompanying this proxy statement/prospectus, regardless of whether you plan to attend the Polonia special meeting. You may also vote your shares through the Internet or by telephone. Information and applicable deadlines for voting through the Internet or by telephone are set forth in the enclosed proxy card instructions. To ensure your representation at the special meeting, Polonia recommends that you vote by proxy even if you plan to attend the special meeting. You can always change your vote at the special meeting.

If you appropriately mark, sign and return the enclosed proxy in time to be voted at the Polonia special meeting, the shares represented by the proxy will be voted in accordance with your instructions marked on the proxy. Valid proxies delivered by Polonia shareholders that are executed but do not specify a vote on a particular matter will be voted "FOR" approval and adoption of the merger agreement and the transactions contemplated thereby and "FOR" the proposal to allow the adjournment of the Polonia special meeting, if necessary. No matters other than the matters described in this proxy statement/prospectus are anticipated to be presented for action at the Polonia special meeting or at any adjournment or postponement of the Polonia special meeting. However, if other business properly comes before the Polonia special meeting, the persons named as proxies on the Polonia proxy card will, in their discretion, vote upon such matters in their best judgment.

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If you hold your stock in “street name” through a bank, broker or nominee, you must direct your bank, broker or nominee how to vote in accordance with the instructions you have received from your bank, broker or nominee. Your broker, bank, or other nominee may allow you to deliver your voting instructions via the telephone or the Internet.

Banks, brokers and other nominees are not allowed to exercise their voting discretion with respect to the approval of matters determined to be “non-routine,” without specific instructions from the beneficial owner. If your broker, bank or other nominee holds your shares of Polonia common stock in “street name,” your broker, bank or other nominee will only vote your shares of Polonia common stock if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker, bank or other nominee with this proxy statement/prospectus. Polonia believes that neither of the proposals are routine matters and, as a result, if your bank, broker or other nominee has not received your voting instructions with respect to these proposals, your bank, broker or other nominee cannot vote your shares on these proposals.

Signing and returning the enclosed proxy will not affect a Polonia shareholder’s right to attend the Polonia special meeting and vote in person. If you attend the Polonia special meeting and wish to vote in person, your proxy may be revoked at that time. Please note, however, that simply attending the Polonia special meeting will not revoke a previously-submitted proxy; you must cast a new vote at the Polonia special meeting in order to revoke your prior vote. If you are a Polonia shareholder whose shares are not registered in your own name, you will need to bring with you a proxy or letter from the bank, broker, nominee or other holder of record in order to vote in person at the Polonia special meeting.

### **Revocation of Proxies for Polonia Special Meeting**

A Polonia shareholder who has submitted a proxy may revoke it at any time before its exercise at the Polonia special meeting by (i) giving written notice of revocation to Polonia’s Corporate Secretary, (ii) properly submitting to Polonia a duly executed proxy bearing a later date, (iii) voting again by telephone or the Internet or (iv) attending the Polonia special meeting and voting in person. Please note, however, that simply attending the Polonia special meeting will not revoke a previously-submitted proxy; you must cast a new vote at the Polonia special meeting in order to revoke your prior vote. All written notices of revocation and other communications with respect to revocation of Polonia proxies should be addressed to Polonia as follows: Paul D. Rutkowski, Corporate Secretary, 3993 Huntingdon Pike, 3<sup>rd</sup> Floor, Huntingdon Valley, PA 19006.

### **POLONIA PROPOSALS**

### **Approval and Adoption of Merger Agreement**

Polonia is asking its shareholders to approve and adopt the merger agreement and the transactions contemplated thereby. Polonia shareholders should read this proxy statement/prospectus carefully and in its entirety, including the Annexes, for more detailed information concerning the merger agreement, the merger and the issuance of shares of Prudential common stock in connection with the merger. A copy of the merger agreement is attached to this proxy statement/prospectus as Annex A.

**Polonia’s board of directors unanimously recommends that Polonia shareholders vote “FOR” approval and adoption of the merger agreement and the transactions contemplated thereby.**

### **Adjournment Proposal**

The Polonia special meeting may be adjourned to another time or place, if necessary or appropriate, to permit further solicitation of proxies if necessary to obtain additional votes in favor of approval and adoption of the merger agreement and the transactions contemplated thereby.

If, at the Polonia special meeting, the number of shares of Polonia common stock present or represented and voting in favor of approval and adoption of the merger agreement and the transactions contemplated thereby is insufficient to approve the proposal, Polonia intends to move to adjourn the Polonia special meeting in order to

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solicit additional proxies for the approval and adoption of the merger agreement and the transactions contemplated thereby. In that event, Polonia will ask its shareholders to vote on the Polonia adjournment proposal, but not the proposal to approve and adopt the merger agreement.

In this proposal, Polonia is asking its shareholders to authorize the persons named as proxies on the Polonia proxy card on a discretionary basis to vote in favor of adjourning the Polonia special meeting to another time and place for the purpose of soliciting additional proxies, including the solicitation of proxies from Polonia shareholders who have previously voted.

**Polonia’s board of directors unanimously recommends that Polonia shareholders vote “FOR” approval of adjournment, if necessary or appropriate, of the meeting to permit the solicitation of additional proxies in favor of approval and adoption of the merger agreement and the transactions contemplated thereby.**

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**THE MERGER**

**Terms of the Merger**

Each of the Prudential board of directors and the Polonia board of directors has approved and adopted the merger agreement, which provides for the merger of Polonia with and into Prudential and substantially simultaneously therewith, the merger of Polonia Bank with and into Prudential Bank.

If the merger is completed, Polonia shareholders will be entitled to elect to receive, for each share of Polonia common stock they own, subject to the election and adjustment procedures described in this proxy statement/prospectus, either 0.7591 of a share of Prudential common stock or \$11.28 in cash, subject to possible adjustment as more fully described herein. The election of shares of Prudential common stock or cash will be subject to proration such that 50% of the issued and outstanding shares of Polonia common stock will be exchanged for Prudential common stock and 50% will be exchanged for cash. If more Polonia shareholders make valid elections to receive either shares of Prudential common stock or cash than is available as either stock or cash consideration pursuant to the terms of the merger agreement, Polonia shareholders electing the over-subscribed form of merger consideration will receive a mixture of both stock and cash consideration in accordance with the proration procedures set forth in the merger agreement.

At the Polonia special meeting, Polonia shareholders will be asked to approve and adopt the merger agreement.

**Background and Reasons for the Merger**

Since completing its conversion from the mutual holding company form of organization to the stock holding company form of organization in November 2012, the management and board of directors of Polonia have regularly reviewed Polonia's strategic and financial prospects. The Polonia board of directors has considered the difficulty in profitably growing and operating a financial institution under current economic and competitive conditions, including the increased costs for technology and regulatory compliance, and has considered both internal growth strategies and strategic business combinations as means of achieving profitability and economies of scale.

On September 15, 2015, the board of directors met with representatives of Polonia's legal counsel, Kilpatrick Townsend & Stockton LLP, which we refer to as Kilpatrick Townsend, and FinPro Capital Advisors, Inc., which we refer to as FinPro. The representative of Kilpatrick Townsend discussed the directors' fiduciary duties in connection with a possible business combination and the representatives of FinPro provided a strategic assessment of Polonia,



identified potential strategies for growth and improving profitability, and provided an overview of Polonia's business, performance and valuation metrics. The board of directors considered potential acquisition targets identified by FinPro, but noted that Polonia would be unlikely to obtain regulatory approval for an acquisition while it remained under a formal written agreement with the Office of the Comptroller of the Currency, which we refer to as the OCC. FinPro presented an analysis of the potential acquisition value of Polonia, discussed different approaches to selecting a partner for a business combination and identified a list of institutions that were potential acquirors of Polonia.

On October 20, 2015, the board of directors met with representatives of Kilpatrick Townsend and FinPro to discuss potential partners for a business combination and the timing of such process. The directors considered contingencies that could be an impediment to a transaction, specifically pending litigation with a former employee who has asserted the right to additional compensation and potential liability for violations of the Real Estate Settlement Procedures Act. The directors also considered communications from investors who want to see Polonia pursue a business combination and the financial results and near term prospects for Polonia, which had been losing money on an operating basis. Upon consideration of these factors, the directors approved commencing a process to solicit interest in a business combination. FinPro discussed with the board of directors the criteria used to develop a list of potential acquirers, which the directors found to be reasonable. Based on the discussion with directors, FinPro produced a list of 39 financial institutions to contact regarding a business combination with Polonia. The 39 financial institutions were selected based on likelihood of interest, financial capacity and perceived potential to obtain required regulatory approvals. This number was subsequently reduced to 38 after two institutions on the list announced that they were being acquired and Polonia added an additional institution.

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On November 16, 2015, Polonia formally engaged FinPro.

In early December 2015, FinPro began contacting the 38 financial institutions on Polonia's behalf regarding a potential acquisition of Polonia. Of the 38 institutions contacted by FinPro, 19, including Prudential, executed nondisclosure agreements with customary and waivable standstill provisions and received a confidential information memorandum regarding the potential acquisition of Polonia. Of these 19 institutions, seven, including Prudential, requested and received access to an electronic data room that contained non-public information, including information regarding Polonia's loans and deposits, credit quality, vendor contracts, and operating expenses.

On January 22, 2016, Polonia received nonbinding indications of interest for the acquisition of Polonia from Prudential and one other financial institution (which we refer to as "Bank A"). Both Prudential and Bank A proposed to acquire Polonia in exchange for consideration consisting of a combination of cash and stock.

On January 26, 2016, the Polonia board of directors held a special meeting to review the two indications of interest that was attended by representatives of FinPro and Kilpatrick Townsend. The board of directors was informed that all of the other institutions that had received a confidential information memorandum and had been granted access to the electronic data room declined to submit a nonbinding indication interest. A representative of FinPro provided an overview of the process conducted to date, discussed the value offered by Prudential and Bank A in relation to the value of Polonia under a discounted cash flow analysis, and presented background information on Prudential and Bank A. The Polonia board of directors decided to invite both Prudential and Bank A to perform detailed due diligence.

Over the next several weeks, Polonia made available additional due diligence materials to Prudential and Bank A.

On February 11, 2016, representatives of Polonia met with several executives from Prudential and engaged in detailed discussions regarding various aspects of Polonia's business. On February 20 and 21, 2016, Prudential performed loan and credit due diligence and on February 27 and 28, 2016, Bank A performed loan and credit due diligence.

On February 29, 2016, Bank A informed Polonia that it was withdrawing from the process and would not pursue the acquisition of Polonia.

On March 11, 2016, Prudential provided an updated nonbinding indication of interest letter for the acquisition of Polonia at \$11.95 per share, subject to reduction if Polonia's stockholders' equity is lower than \$39.5 million as of the closing date. Prudential proposed that the consideration be paid 50% in cash and 50% in shares of Prudential common

stock, with Polonia shareholders receiving the opportunity to elect the form of consideration they wished to receive.

On March 15, 2016, the Polonia board of directors held a special meeting to review the updated nonbinding indication of interest letter from Prudential that was attended by representatives of FinPro and Kilpatrick Townsend. The Polonia board of directors determined to continue discussions with Prudential based on the terms proposed in Prudential's latest indication of interest letter and instructed FinPro to ask Prudential to increase the merger consideration.

FinPro informed the Polonia directors through a conference call on March 24, 2016 that Prudential declined to increase the merger consideration.

After Polonia filed its annual report on Form 10-K for the year ended December 31, 2015 on April 6, 2016, which reflected restatement of prior period financial statements that reduced stockholders' equity by \$1.9 million, Prudential informed Polonia that it would adjust the merger consideration to \$11.31 per share and that the merger consideration would be subject to downward adjustment if Polonia's adjusted stockholders' equity at the time of closing was less than \$37.5 million (which was Polonia's shareholders' equity as of December 31, 2015).

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In early April 2016, Prudential provided Polonia with non-public information regarding Prudential's operations, including information regarding Prudential's loans and credit quality. On April 8, 2016, Polonia conducted its on-site reverse due diligence of Prudential.

On May 5, 2016, Prudential and its legal advisor provided Polonia and Kilpatrick Townsend with an initial draft merger agreement for the proposed transaction. Over the course of the following weeks, Prudential and Polonia and their respective legal advisors exchanged drafts of the merger agreement and worked towards finalizing the terms of the transaction, including the amount of the merger consideration and the method for adjusting the merger consideration based on Polonia's stockholders' equity.

On May 9, 2016, Kilpatrick Townsend held a conference call with the Polonia directors during which Kilpatrick Townsend discussed the initial draft of the merger agreement with the Polonia directors.

At the regular meeting of the Polonia board of directors held on May 17, 2016, a representative of Kilpatrick Townsend reviewed with the Polonia directors the status of negotiations with respect to the merger agreement.

On May 26, 2016, representatives of FinPro and Kilpatrick Townsend held a conference call with the Polonia directors during which they discussed the status of negotiations with respect to the merger agreement and FinPro presented summary pro forma financial information regarding the proposed transaction and an analysis of the value of the transaction based on a comparison to comparable transactions and a discounted cash flow analysis.

On May 31, 2016, Prudential and Polonia agreed to modify the price terms of the merger agreement so that the merger consideration would be \$11.28 per share and would be subject to downward adjustment if Polonia's adjusted stockholders' equity at the time of closing was less than \$37,401,000 (which was Polonia's stockholders' equity as of April 30, 2016). Polonia requested this change because the pricing formula originally presented in the merger agreement would have resulted in a price of \$11.18 per share as of April 30, 2016.

On June 2, 2016, the Polonia board of directors held a special meeting, together with representatives of FinPro and Kilpatrick Townsend, during which representatives of management, FinPro and Kilpatrick Townsend reviewed for the Polonia board of directors the final terms of the transaction documents. FinPro rendered its oral opinion, which was subsequently confirmed in writing, to the Polonia board of directors that, as of that date, and based upon and subject to the factors, assumptions and limitations set forth in its written opinion, the merger consideration was fair, from a financial point of view, to the holders of Polonia common stock. Following discussion and questions and answers, including consideration of the factors described under "Polonia's reasons for the merger and recommendation of the Polonia board of directors", the Polonia board of directors determined that the merger agreement and the transactions contemplated thereby, including the merger, were in the best interest of Polonia and its stockholders and approved

recommending that the Polonia shareholders approve the adoption of the merger agreement.

Following the meeting of the Polonia board of directors, in the afternoon of June 2, 2016, Prudential and Polonia executed the merger agreement and Prudential and Polonia executed the voting agreements entered into with the directors and certain executive officers of Polonia. Shortly thereafter, on June 2, 2016, Prudential and Polonia issued a joint press release announcing the execution of the merger agreement.

### **Polonia's Reasons for the Merger and Recommendation of the Board of Directors**

After careful consideration, at a meeting held on June 2, 2016, the Polonia board of directors unanimously determined that the merger agreement, including the merger and the other transactions contemplated thereby, is in the best interests of Polonia and its shareholders and approved the merger agreement.

In reaching its decision to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement and recommend that its stockholders vote "**FOR**" the merger agreement, the Polonia board of directors consulted with Polonia management, as well as its independent financial and legal advisors, and considered a number of factors, including the following material factors:

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its knowledge of Polonia's business, operations, regulatory and financial condition, asset quality, earnings, loan portfolio, capital and prospects both as an independent organization, and as a part of a combined company with Prudential;

its understanding of Prudential's business, operations, regulatory and financial condition, asset quality, earnings, capital and prospects taking into account presentations by senior management of its due diligence review of Prudential and information furnished by FinPro;

its belief that the merger will result in a stronger banking franchise with strong capital ratios and an attractive funding base that has the potential to deliver a higher value to Polonia's shareholders as compared to continuing to operate as a stand-alone entity;

the expanded possibilities, including organic growth and future acquisitions, that would be available to the combined company, given its larger size, asset base, capital, market capitalization and footprint;

the anticipated pro forma impact of the merger on Prudential, including potential synergies, and the expected impact on financial metrics such as earnings and tangible common equity per share, as well as on regulatory capital levels;

the financial analyses of FinPro, Polonia's independent financial advisor, and its written opinion, dated as of June 2, 2016, delivered to the Polonia board of directors to the effect that, as of that date, and subject to and based on the various assumptions, considerations, qualifications and limitations set forth in the opinion, the merger consideration was fair, from a financial point of view, to the holders of Polonia common stock;

the cash/stock election mechanism of the merger agreement, which offers Polonia shareholders the opportunity to seek their preferred form of consideration, subject to the proration and allocation methods that will result in 50% of the outstanding shares of Polonia common stock being exchanged for cash and 50% being exchanged for Prudential common stock;

the cash component of the merger consideration offers Polonia shareholders the opportunity to receive cash for their shares with immediate certainty of value;

the stock component of the merger consideration offers Polonia shareholders the opportunity to participate as stockholders of Prudential in the future performance of the combined company;

the fact that Polonia has not paid a dividend on its common stock and that Prudential pays a quarterly cash dividend on its common stock;

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the fact that upon completion of the merger Polonia shareholders will own approximately 14% of the outstanding shares of the combined company;

the more active trading market in Prudential common stock would give Polonia shareholders greater liquidity for their investment;

the benefits to Polonia and its customers of operating as a larger organization, including enhancements in products and services, higher lending limits, and greater financial resources;

the increasing importance of operational scale and financial resources in maintaining efficiency and remaining competitive over the long term and in being able to capitalize on technological developments that significantly impact industry competitive conditions;

the expected social and economic impact of the merger on the constituencies served by Polonia, including its borrowers, customers, depositors, employees, and communities;

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the effects of the merger on other Polonia employees, including the prospects for continued employment in a larger organization and various benefits agreed to be provided to Polonia employees;

the board's understanding of the current and prospective environment in which Polonia and Prudential operate, including national and local economic conditions, the interest rate environment, increasing operating costs resulting from regulatory initiatives and compliance mandates, and the competitive effects of the continuing consolidation in the banking industry;

the extensive efforts made to solicit interest from institutions considered to have the ability and potential interest in acquiring Polonia and the low probability of securing a more attractive proposal from another institution capable of consummating the transaction;

- the ability of Prudential to complete the merger from a financial and regulatory perspective;

the board's understanding that the merger will qualify as a "reorganization" under Section 368(a) of the Internal Revenue Code, providing favorable tax consequences to Polonia's stockholders who receive the stock consideration in the merger; and

the board's review with its independent legal advisor, Kilpatrick Townsend, of the material terms of the merger agreement, including the board's ability, under certain circumstances, to withhold, withdraw, qualify or modify its recommendation to Polonia's shareholders and to consider and pursue a better unsolicited acquisition proposal, subject to the potential payment by Polonia of a termination fee to Prudential, which the board of directors concluded was reasonable in the context of termination fees in comparable transactions and in light of the overall terms of the merger agreement, as well as the nature of the covenants, representations and warranties and termination provisions in the merger agreement.

The Polonia board of directors also considered a number of potential risks and uncertainties associated with the merger in connection with its deliberation of the proposed transaction, including, without limitation, the following:

with stock consideration based on a fixed exchange ratio, the risk that the consideration to be paid to Polonia shareholders could be adversely affected by a decrease in the trading price of Prudential common stock during the pendency of the merger;

the potential risk of diverting management attention and resources from the operation of Polonia's business and towards the completion of the merger;

the restrictions on the conduct of Polonia's business prior to the completion of the merger, which are customary for public company merger agreements involving financial institutions, but which, subject to specific exceptions, could



delay or prevent Polonia from undertaking business opportunities that may arise or any other action it would otherwise take with respect to the operations of Polonia absent the pending merger;

the potential risks associated with achieving anticipated cost synergies and savings and successfully integrating Polonia's business, operations and workforce with those of Prudential;

the fact that the interests of certain of Polonia's directors and executive officers may be different from, or in addition to, the interests of Polonia's other stockholders as described under the heading "Description of the Merger—Interests of Certain Persons in the Merger that are Different from Yours";

- that, while Polonia expects that the merger will be consummated, there can be no assurance that all conditions to the parties' obligations to complete the merger agreement will be satisfied, including the risk that necessary regulatory approvals or Polonia shareholder approval might not be obtained and, as a result, the merger may not be consummated;

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the risk of potential employee attrition and/or adverse effects on business and customer relationships as a result of the pending merger;

the fact that: (i) Polonia would be prohibited from affirmatively soliciting acquisition proposals after execution of the merger agreement; and (ii) Polonia would be obligated to pay to Prudential a termination fee if the merger agreement is terminated under certain circumstances, which may discourage other parties potentially interested in a strategic transaction with Polonia from pursuing such a transaction; and

- the possibility of litigation challenging the merger, and its belief that any such litigation would be without merit.

The foregoing discussion of the information and factors considered by the Polonia board of directors is not intended to be exhaustive, but includes the material factors considered by the Polonia board of directors. In reaching its decision to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement, the Polonia board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The Polonia board of directors considered all these factors as a whole, including discussions with, and questioning of Polonia's management and Polonia's independent financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

**Polonia's board of directors unanimously recommends that Polonia's shareholders vote "FOR" the approval of the merger proposal and "FOR" the adjournment proposal.** Polonia shareholders should be aware that Polonia's directors and executive officers have interests in the merger that are different from, or in addition to, those of other Polonia shareholders. The Polonia board of directors was aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement, and in recommending that the merger proposal be approved by the stockholders of Polonia. See "Description of the Merger—Interests of Certain Persons in the Merger that are Different from Yours."

This summary of the reasoning of Polonia's board of directors and other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading "Special Notes Concerning Forward-Looking Statements."

### **Opinion of Polonia's Financial Advisor**

By letter dated November 16, 2015, Polonia engaged FinPro to act as its financial advisor in connection with its merger and acquisition activities. FinPro is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions. Polonia selected FinPro because of its knowledge of, experience with, and reputation in the financial services industry. The Polonia board of directors also considered the fact that FinPro is familiar with Polonia and its business, as FinPro's affiliate, FinPro,

Inc., has provided advisory services to Polonia.

FinPro acted as financial advisor to Polonia in connection with the proposed merger and participated in certain of the negotiations leading to the execution of the merger agreement. At the June 2, 2016 meeting at which Polonia's board of directors considered and approved the merger agreement, FinPro delivered to the board of directors its oral opinion, later confirmed in writing, that, as of such date, the merger consideration was fair to Polonia's shareholders from a financial point of view. The full text of FinPro's written opinion is attached as Annex B to this proxy statement/prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by FinPro in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion.

**Polonia shareholders are urged to read the opinion in its entirety in connection with their consideration of the proposed merger.**

**FinPro's opinion speaks only as of the date of such opinion. FinPro's opinion was directed to the Polonia board of directors in connection with its consideration of the merger and addresses only the fairness, from a financial point of view, of the merger consideration to the holders of Polonia common stock. It does**

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**not address the underlying business decision to proceed with the merger, the relative merits of the merger as compared to any other alternative business strategies that might exist for Polonia or the effect of any other transaction in which Polonia might engage. FinPro's opinion does not constitute a recommendation to any Polonia shareholder as to how such shareholder should vote at the Polonia special meeting on the merger agreement or any related matter (including what election any such shareholder should make with respect to the stock consideration or the cash consideration). FinPro's opinion was approved by FinPro's fairness opinion committee.**

In rendering its opinion, FinPro considered among other things:

The merger agreement;

The most recent year-end and quarter-end audited and unaudited financial statements for each of Polonia and Prudential;

Certain other public and non-public information regarding each of Polonia and Prudential including internal financial forecasts, regarding the financial results and the condition of Polonia and Prudential;

Extensive sales process with Polonia;

Input received from the institutions contacted by FinPro as part of the process regarding their feedback on Polonia, and hesitation to proceed forward in the bidding process due to issues such as the consent order, regulatory issues, litigation uncertainty, management turnover, declining loan and deposit balances, and lack of profitability;

The trading and merger market for bank and thrift stocks;

Acquisition multiples of comparable institutions;

Potential investment value of Polonia's shares; and

Analysis of the ability for Prudential to execute on the proposed transaction.

In performing its review and in rendering its opinion, FinPro has relied upon the completeness and accuracy of all of the financial and other information that was available to it from public sources, that was provided to it by Polonia and Prudential, or their representatives, or that was otherwise reviewed by FinPro, and has assumed such completeness

and accuracy for purpose of rendering its opinion. FinPro has further relied on the assurances of management of Polonia that they are not aware of any facts or circumstances not within the actual knowledge of FinPro, as the case may be, that would make any of such information inaccurate or misleading. FinPro has not been asked to verify and has not undertaken any independent verification of such information, and FinPro does not assume any responsibility or liability for the completeness and accuracy thereof. FinPro has not made an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Polonia or Prudential, or the collectability of any such assets, nor has FinPro been furnished with any such evaluations or appraisals. FinPro has not made any independent evaluation of the adequacy of the allowance for loan losses of Polonia or Prudential, nor has FinPro reviewed any individual credit files, and FinPro has assumed that their respective allowance for loan losses is adequate.

FinPro also assumed, with Polonia's consent, that (i) each of the parties to the merger agreement would comply in all material respects with all material terms of the merger agreement, that all of the representations and warranties contained in the merger agreement were true and correct in all material respects, that each of the parties to the merger agreement would perform in all material respects all of the covenants required to be performed by such party under the merger agreement and that the conditions precedent in the merger agreement were not waived, (ii) in the course of obtaining the necessary regulatory or third party approvals, consents and releases with respect to the merger, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on Polonia, Prudential or the merger in any respect that would be material to FinPro's analyses, (iii) the merger and any

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related transaction would be consummated in accordance with the terms of the merger agreement without any waiver, modification or amendment of any material term, condition or agreement thereof and in compliance with all applicable laws and other requirements, and (iv) the merger would qualify as a tax-free reorganization for federal income tax purposes. FinPro expressed no opinion as to any of the legal, accounting or tax matters relating to the merger or any other transactions contemplated in connection therewith.

FinPro's analyses and the views expressed in its opinion were necessarily based on financial, economic, regulatory, market and other conditions as in effect on, and the information made available to FinPro as of, the date of its opinion. Events occurring after the date of the opinion could materially affect FinPro's views. FinPro has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date thereof. FinPro expressed no opinion as to the trading values of Polonia common stock after the date of its opinion or what the value of Prudential common stock will be once it is actually received by the holders of Polonia common stock.

The following is a summary of the material analyses performed by FinPro and presented to the Polonia board of directors on June 2, 2016. The summary is not a complete description of all of the analyses underlying FinPro's opinion. The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. FinPro believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses considered, without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. The financial analyses summarized below include information presented in a tabular format. In order to understand fully the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.

No company included in FinPro's comparative analyses described below is identical to Polonia or Prudential and no transaction is identical to the merger. An analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of Polonia and Prudential and the companies to which they are being compared. In arriving at its opinion, FinPro did not attribute any particular weight to any analysis or factor that it considered. Rather, FinPro made qualitative judgments as to the significance and relevance of each analysis and factor. FinPro did not form an opinion as to whether any individual analysis or factor (positive or negative) considered in isolation supported or failed to support its opinion, rather, FinPro made its determination as to the fairness of the merger consideration on the basis of its experience and professional judgment after considering the results of all its analyses taken as a whole.

In performing its analyses, FinPro also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of Polonia, Prudential and FinPro. The analyses performed by FinPro are not necessarily indicative of actual values or future results, both of which may be significantly more or less favorable than suggested by such analyses. FinPro

prepared its analyses solely for purposes of rendering its opinion and provided such analyses to the Polonia board of directors at its June 2, 2016 meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, FinPro's analyses do not necessarily reflect the value of Polonia common stock or the prices at which Polonia or Prudential common stock may be sold at any time. The analyses of FinPro and its opinion were among a number of factors taken into consideration by the Polonia board of directors in making its determination to approve the merger agreement and the analyses described below should not be viewed as determinative of the decision of the Polonia board of directors or management with respect to the fairness of the merger.

*Polonia Historical Financial Perspective.* Polonia completed a second step conversion in November 2012. Polonia's tangible book value per share decreased from \$11.73 at December 31, 2012 to \$11.19 at March 31, 2016. Polonia was unprofitable for each of the years 2012, 2013, and 2015 and had a profit of only \$17 thousand for 2014. Polonia reported a loss of \$268 thousand, or (\$0.08) per share, for the quarter ended March 31, 2016. Capital levels

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have exceeded required regulatory levels, while asset quality has been historically strong. Polonia has not paid dividends to shareholders.

*Market Value Approach (Acquisition Comparables).* FinPro reviewed publically available information related to selected whole bank transactions in Polonia’s geographic region. This data was utilized as a primary “comparable transaction group”. As a secondary check, FinPro reviewed publically available information related to selected whole bank national transactions. The financial performance metrics of the acquired companies were compared to Polonia’s most recent quarterly consolidated financials, as provided by Polonia management. Multiples for the proposed merger were analyzed relative to the regional (primary) and national (secondary) comparable transaction groups selected by FinPro. FinPro reviewed the following pricing multiples:

**Price/Tangible Book Value:** Price per common share paid for the acquired company to tangible book value per share -of the acquired company based on the most recent available quarterly consolidated financial statements of the company available prior to the announcement of the acquisition

**Core Deposit Premium:** Excess of purchase price over tangible common equity to core deposits (total deposits less -time deposits greater than \$100,000) based on the most recent quarterly consolidated financial statements of the company available prior to the announcement of the acquisition.

**Price to LTM (last twelve months) Earnings** were not utilized in this analysis, as Polonia was not profitable in the periods prior to the announcement of the acquisition.

*Regional Comparable Group (Primary Group).* FinPro used the following criteria to determine the Regional Comparable Group: Whole bank transactions announced after January 1, 2013 with deal values greater than \$10 million, where the acquired company was located in the states of Pennsylvania, New Jersey, New York, Maryland, Virginia, or Delaware, and where the acquired company had total assets between \$100 million and \$300 million with ROAE less than 2% and nonperforming assets (including troubled debt restructurings (“TDRs”)) as a percentage of total assets less than 5% (deals in which the target company had nonperforming assets/total assets of “N/A” as reported by SNL Financial were researched by FinPro to determine nonperforming asset levels). The following transaction types were excluded from the analysis: transactions in which the acquired company was structured as a mutual or mutual holding company, purchase and assumption transactions, transactions in which the acquirer was a private investor, and transactions for which price to tangible book data was unavailable.

The selected transactions were:

**Acquirer’s Full Name**

**Seller’s Full Name**

**Seller’s City, State**



Bay Bancorp, Inc.	Hopkins Bancorp, Inc.	Baltimore, MD
Hamilton Bancorp, Inc.	Fraternity Community Bancorp, Inc.	Baltimore, MD
ESSA Bancorp, Inc.	Eagle National Bancorp, Inc.	Upper Darby, PA
Citizens Financial Services, Inc.	First National Bank of Fredericksburg	Fredericksburg, PA
OceanFirst Financial Corp.	Colonial American Bank	Middletown, NJ
Codorus Valley Bancorp, Inc.	Madison Bancorp, Inc.	Baltimore, MD
ESSA Bancorp, Inc.	Franklin Security Bancorp, Inc.	Wilkes-Barre, PA
Riverview Financial Corporation	Union Bancorp, Inc.	Pottsville, PA

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The results of the analysis are set forth in the following table:

Comparison	Prudential/ Polonia	Regional Comparable Transactions (1)				
		Minimum 25 <sup>th</sup> Percentile	Median	75 <sup>th</sup> Percentile	Maximum	
Transaction Pricing at Announcement						
Deal Value (\$, in millions)	38.1	10.1	13.7	19.3	23.8	26.9
Price/LTM Earnings (%)	NM	NM	NM	NM	NM	NM
Price/Tang. Book Value (%)	100.8	86.5	96.8	104.8	112.9	144.3
Core Deposit Premium (%) (2)	0.6	(2.9 )	(0.5 )	0.9	2.2	3.4
Target's Financials at Announcement						
Total Assets (\$, in millions)	287,731	123,779	144,044	169,061	228,756	239,659
Tang. Equity/Tang. Assets (%)	13.0	6.7	8.2	10.0	14.3	16.8
NPAs/Assets (%) (3)	1.2	1.1	1.5	1.8	2.1	4.8
ALLL/NPLs	36.8	24.9	34.1	72.4	73.5	86.0
LTM ROAA (%) (4)	(0.1 )	(0.3 )	(0.1 )	0.0	0.1	0.2
LTM ROAE (%) (4)	(0.4 )	(5.3 )	(0.6 )	0.2	1.2	1.9
Asset Growth (%) (5)	(5.5 )	(10.4 )	(4.5 )	(1.7 )	0.5	10.2
Deposit Growth (%) (5)	(4.7 )	(8.2 )	(4.5 )	(1.4 )	4.2	11.0

(1) Source: SNL Financial, FinPro Computations for Prudential/Polonia transaction pricing multiples.

(2) Core Deposit Premium calculated as (Deal Value – Tangible Equity) / Core Deposits. Core deposits defined as total deposits less time deposits > \$100,000.

(3) Balances include performing TDRs.  
 (4) Tax free partnerships tax impacted at 40.00%.  
 (5) Most recent reported data relative to prior year.

The merger consideration price to tangible book multiple of 100.8% was between the 25<sup>th</sup> percentile and median for the Regional Comparable Group, while price to LTM earnings were not material for the Regional Comparable Group or Polonia based on lack of profitability. The merger consideration core deposit premium of 0.6% was also between the 25<sup>th</sup> percentile and median for the Regional Comparable Group.

*National Comparable Group (Secondary Check)*. FinPro used the following criteria to determine the National Comparable Group: Nationwide, whole bank transactions announced after January 1, 2015 with deal value greater than \$10 million, where the acquired company had total assets less than \$300 million with ROAE less than or equal to 1% and nonperforming assets (including TDRs) as a percentage of total assets less than 5%. The following transaction

types were excluded from the analysis: transactions in which the acquired company was structured as a mutual or mutual holding company, purchase and assumption transactions, transactions in which the acquirer was a private investor, and transactions for which price to tangible book data was unavailable via SNL Financial.

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The selected transactions were:

Acquirer's Full Name	Seller's Full Name	Seller's City, State
Beneficial State Foundation	Pan American Bank	Los Angeles, CA
Bay Bancorp, Inc.	Hopkins Bancorp, Inc.	Baltimore, MD
Coastal Banking Company, Inc.	First Avenue National Bank	Ocala, FL
Hamilton Bancorp, Inc.	Fraternity Community Bancorp, Inc.	Baltimore, MD
ESSA Bancorp, Inc.	Eagle National Bancorp, Inc.	Upper Darby, PA
American Riviera Bank	Bank of Santa Barbara	Santa Barbara, CA
Heartland Financial USA, Inc.	First Scottsdale Bank, National Association	Scottsdale, AZ
OceanFirst Financial Corp.	Colonial American Bank	Middletown, NJ
National Bank Holdings Corporation	Pine River Bank Corp.	Bayfield, CO

The results of the analysis are set forth in the following table:

Comparison	Prudential/ Polonia	Comparable Regional Transactions (1)				
		Minimum	25 <sup>th</sup> Percentile	Median	75 <sup>th</sup> Percentile	Maximum
Transaction Pricing at Announcement						
Deal Value (\$, in millions)	38.1	10.5	14.0	17.7	25.3	38.5
Price/LTM Earnings (%)	NM	NM	NM	NM	NM	NM
Price/Tang. Book Value (%)	100.8	80.3	100.5	104.7	106.9	115.6
Core Deposit Premium (%) (2)	0.6	(2.8 )	0.1	0.9	2.1	2.6
Target's Financials at Announcement						
Total Assets (\$, in millions)	287,731	106,332	135,408	162,391	175,731	239,659
Tang. Equity/Tang. Assets (%)	13.0	6.7	10.2	14.2	15.8	22.3
NPAs/Assets (%) (3)	1.2	0.2	0.9	1.6	2.2	4.6
ALLL/NPLs	36.8	34.1	79.3	121.2	250.0	463.2
LTM ROAA (%) (4)	(0.1 )	(0.5 )	(0.3 )	(0.1 )	0.0	0.1
LTM ROAE (%) (4)	(0.4 )	(5.3 )	(2.6 )	(0.4 )	0.0	1.0
Asset Growth (%) (5)	(5.5 )	(10.4 )	(2.7 )	(1.3 )	13.3	35.0
Deposit Growth (%) (5)	(4.7 )	(8.2 )	(1.5 )	(1.4 )	10.2	43.8

(1) Source: SNL Financial, FinPro Computations for Prudential/ Polonia transaction pricing multiples.

(2) Core Deposit Premium calculated as (Deal Value – Tangible Equity) / Core Deposits. Core deposits defined as total deposits less time deposits > \$100,000.

(3)

Balances include performing TDRs.

(4)

Tax free partnerships tax impacted at 40.00%.

(5)

Most recent reported data relative to prior year.

The merger consideration price to tangible book multiple of 100.8% was between the 25<sup>th</sup> percentile and median for the National Comparable Group, while price to LTM earnings were not material for the National Comparable Group or Polonia based on lack of profitability. The merger consideration core deposit premium of 0.6% was also between the 25<sup>th</sup> percentile and median for the National Comparable Group.

*Investment Value Approach.* FinPro performed an analysis to estimate a range of the present values of Polonia common stock, assuming that Polonia performed in accordance with management's estimates for the twelve months ended March 31, 2017 and March 31, 2018 and FinPro's extrapolation of management's estimates for the twelve months ended March 31, 2019, 2020 and 2021. The purpose of this analysis was to determine the terminal value of Polonia common stock at March, 31, 2021 and to discount the terminal value to a present value. The investment value approach is a widely used valuation methodology that relies on numerous assumptions, including Polonia's financial projections, terminal values, and discount rates. In performing this analysis, FinPro based estimates on March 31, 2016 year-to-date annualized actual financials and projections for each of the twelve months ending March 31, 2017, 2018, 2019, 2020, and 2021. Financial projections for the time periods ending March 31, 2017 and March 31, 2018 were based on the financial projections of Polonia as provided by management of Polonia.

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The projections for subsequent years were extrapolated by FinPro based upon the projections as provided for the initial two-year period. No cash dividends were assumed to be paid in the financial projections. The calculation of the investment takeout value for Polonia relies on its projected terminal value at March 31, 2021, as illustrated below:

<b>Period Ending</b>	<b>Actual 3 Months Ended 3/31/2016, Annualized</b>	<b>12 Months Ending 3/31/2017</b>	<b>12 Months Ending 3/31/2018</b>	<b>12 Months Ending 3/31/2019</b>	<b>12 Months Ending 3/31/2020</b>	<b>12 Months Ending 3/31/2021</b>
Net Income (in thousands)	(2,175 )	(746 )	(493 )	33	586	1,191
Total Shares Outstanding (in thousands)	3,349	3,349	3,349	3,349	3,349	3,349
Earnings Per Share (1)	(0.65 )	(0.22 )	(0.15 )	0.01	0.17	0.36
Tangible Common Equity (in thousands) (2)	37,468	36,927	36,638	36,874	37,646	38,929
Total Shares Outstanding (in thousands)	3,349	3,349	3,349	3,349	3,349	3,349
Tangible Book Value Per Share	11.19	11.03	10.94	11.01	11.24	11.62

(1)EPS based on annualized net income for March 31, 2016 Actual Financials.

(2)Tangible common equity adjusted for ESOP and restricted stock.

FinPro determined a discount rate based on a Capital Asset Pricing Model (“CAPM”) approach. The CAPM model utilized the 30 Year U.S. Treasury as the risk free rate, the decile 10 size premium, and the beta based on the SNL Micro Cap U.S. Bank Index benchmarked against the S&P 500 (CAPM components as of May 31, 2016, most currently available Index Data as of June 1, 2016). This resulted in a discount rate of 9.7%. A range of discount rates were utilized that were 2% and 1% below the base rate of 9.7% and 1% and 2% above the base rate of 9.7%. Therefore, the discount rates ranged from 7.7% to 11.7%. In calculating the terminal value, FinPro utilized multiples between 100% and 120% for a P/TBV (price to tangible book value) approach, with a midpoint of 110%, and multiples between 18.0 times and 22.0 times for a P/E (price to earnings) approach, with a midpoint of 20.0 times. The analysis resulted in a range of present values from \$6.69 to \$9.63 per share when applying multiples of tangible book value, with a midpoint of \$8.05 per share, and \$3.68 to \$5.40 per share when applying multiples of earnings, with a midpoint of \$4.48 per share. The consideration offered by Prudential of \$11.28 per share was substantially higher than Polonia’s investment value at any of the points in the range on both a tangible book basis as well as an earnings basis. Due to the size of Polonia and the fact that Polonia has not been profitable in recent years and net income projections through March 31, 2021 are modest, more of a focus was placed on the tangible book value approach.

Prudential common stock was valued at \$14.86 per share based upon a 20-day average as of the close of trading on June 1, 2016. FinPro conducted an analysis of Prudential common stock and determined that the value of its common stock in the exchange falls within an acceptable valuation range. FinPro considered the financial condition and performance of Prudential and comparisons to comparable companies on a trading basis.

FinPro selected seven companies it considered comparable to Prudential, utilizing the following criteria:

- Publically traded banks headquartered in the Mid-Atlantic and Northeast regions;
- With total assets between \$400 million and \$800 million;
- With nonperforming assets (including performing TDRs) as a percentage of total assets less than 5%;
- Excluding institutions with a mutual or mutual holding company ownership structure;
- Excluding recently converted thrifts (last 2 years).

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This criteria resulted in the following Comparable Trading Group:

<b>Company Name</b>	<b>City</b>	<b>State</b>
Bancorp of New Jersey, Inc.	Fort Lee	NJ
Bay Bancorp, Inc.	Columbia	MD
Harleysville Savings Financial	Harleysville	PA
Malvern Bancorp, Inc.	Paoli	PA
Royal Bancshares of PA	Bala Cynwyd	PA
Severn Bancorp, Inc.	Annapolis	MD
Stewardship Financial Corporation	Midland Park	NJ
Sussex Bancorp	Rockaway	NJ
Wellesley Bancorp, Inc.	Wellesley	MA

<b>Comparison (1)</b>	<b>Comparable Trading Group</b>					<b>Maximum</b>
	<b>Prudential</b>	<b>Minimum</b>	<b>25<sup>th</sup> Percentile</b>	<b>Median</b>	<b>75<sup>th</sup> Percentile</b>	
<b>Balance Sheet Strength, Composition</b>						
Total Assets (\$000s)	537,544	463,435	716,772	758,813	765,434	798,548
Gross Loans/HFI Deposits (%)	84.68	86.21	94.16	100.83	108.46	114.59
<b>Capital</b>						
Tangible Equity/Tangible Assets (%)	20.90	6.77	8.49	8.82	11.09	13.99
<b>Asset Quality</b>						
Non-performing loans/Loans (%) (2)	5.40	0.19	0.97	1.26	1.67	5.31
Non-performing assets/Assets (%) (2)	3.27	0.16	0.88	1.50	1.77	4.43
<b>Profitability</b>						
Core ROAA (%)	0.17	0.42	0.60	0.64	0.66	1.41
Core ROAE (%)	0.71	3.03	5.66	7.35	7.92	15.76
<b>Market / Franchise</b>						
2016 Median Household Income (\$)	43,494	65,085	79,178	86,153	87,158	87,573
Projected Annual Change in Median Household Income ('16-'21) (%)	8.14	3.16	6.61	6.72	7.17	8.25
<b>Market Pricing and Valuation</b>						
Market Cap (\$ mil)	120.2	38.3	55.8	68.2	71.5	107.5
Price/MRQ Core EPS (x)	53.3	10.0	12.3	13.7	28.1	67.6
Price/LTM Core EPS (x)	NM	9.6	12.9	14.3	23.2	26.8
Price/Tangible Book (%)	107.0	77.9	93.3	99.1	118.6	149.0
LTM Dividend Payout Ratio (%)	92.3	10.4	13.8	17.0	22.2	63.6
Dividend Yield (%)	0.8	0.0	0.0	0.8	1.9	4.5
Avg. Daily Vol. (Three Month)	6,718	863	5,214	6,207	12,144	49,587
Avg. Daily Vol. (One Year)	14,258	1,695	3,609	5,656	7,982	24,836



- (1) Data is for last twelve months; market pricing and valuation data is as of June 1, 2016.
- (2) Nonperforming loans and nonperforming assets include TDRs.

*Pro Forma Analysis.* FinPro considered and reviewed the pro forma financial impact of the transaction to ensure that Prudential, post-transaction, has key ratios for the combined entity that are likely to be acceptable from a regulatory perspective. FinPro analyzed certain potential pro forma effects of the merger, based on the following assumptions: (i) the merger closes during the fourth quarter of 2016; (ii) 50% of the outstanding shares of Polonia common stock are converted into the stock consideration at a 0.7510 exchange ratio and 50% of the outstanding shares of Polonia common stock are converted into cash consideration of \$11.16 per share, which reflects a reduction in net book value per share of Polonia common stock based on continuing operating losses; and (iii) all outstanding Polonia stock options with an exercise price less than \$11.16 per share will be cancelled in exchange for a cash payment equal to the difference between \$11.16 and the per share exercise price. FinPro also utilized the following: (a) estimated earnings per share for Prudential, based on projections provided by Prudential's management and an estimated long-term earnings per share growth rate; (b) estimated earnings per share for Polonia, based on projections provided by Polonia's management and an estimated long-term growth of earnings per

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share; (c) purchase accounting adjustments consisting of (i) a credit mark on loans provided by Prudential management, (ii) interest rate marks provided by Prudential management and (iii) a write-up on fixed assets based on appraisals provided by Polonia; (d) cost savings projections provided by Prudential; (e) estimated costs and expenses associated with the merger; and (f) a core deposit intangible asset amortized over 10 years utilizing sum-of-the-digits methodology. The analysis indicated that the merger could be accretive to Prudential's estimated earnings per share (excluding one-time transaction costs and expenses) in 2017 and dilutive to estimated tangible book value per share at close and at fiscal year end 2017.

*Relative Contribution Analysis.* FinPro analyzed the relative contribution to the combined company of total assets, gross loans (including loans held for sale), and nonmaturity core deposits as shown in the table below utilizing March 31, 2016 financial statements. Based upon the exchange ratio, after 50% of the consideration is paid out in cash, Prudential shareholders would own approximately 86% of the combined company and Polonia shareholders would own approximately 14% of the combined company.

	<b>Prudential Contribution</b>		<b>Polonia Contribution</b>	
Total Assets	65	%	35	%
Gross Loans (including HFS)	66	%	34	%
Nonmaturity Core Deposits	64	%	36	%

*FinPro's Relationship.* FinPro was compensated for its services. FinPro's fee is equal to 1.25% of the aggregate purchase price. A portion of this fee became payable to FinPro upon the signing of the merger agreement, another portion became payable upon the mailing of this document to Polonia's shareholders, and the balance is contingent upon the consummation of the merger. Additionally, Polonia has agreed to reimburse FinPro for its out-of-pocket expenses and has agreed to indemnify FinPro and certain related persons against certain liabilities arising out of FinPro's engagement. FinPro acted as financial advisor to Polonia in connection with the proposed acquisition and did not act as an advisor or agent to any other person. FinPro expresses no opinion as to the amount or nature of the compensation to be received by any of either Polonia's or Prudential's officers, directors or employees, or class of such persons.

Prior to this engagement, FinPro has not provided investment banking services to Polonia within the past two years for which it has received compensation. FinPro, Inc., FinPro's parent organization, has provided consulting partnership services to Polonia within the past two years. The amount of compensation received from Polonia Bancorp, Inc. for these services is not, and has not been, material to FinPro, Inc.'s total annual gross revenue. Neither FinPro, Inc. (the parent organization), nor FinPro, have provided services to Prudential within the past two years.

*Certain Prudential and Polonia Unaudited Prospective Financial Information.* Prudential and Polonia do not as a matter of course make public projections as to future performance due to, among other reasons, the inherent difficulty of accurately predicting financial performance for future periods and the uncertainty of underlying assumptions and

estimates. However, Prudential and Polonia are including in this proxy statement/prospectus certain limited unaudited financial information for Prudential and Polonia on a stand-alone basis, without giving effect to the merger, which was discussed with Polonia's financial advisor in connection with the merger.

Specifically, for purposes of the financial analyses performed in connection with FinPro's opinion, Polonia discussed with FinPro and FinPro used management's estimates of Polonia's earnings per share for the 12 months ending March 31, 2017 and 2018. For purposes of these financial analysis, Polonia management also discussed with FinPro estimated annual earnings extrapolated through the 12 months ending March 31, 2019, 2020 and 2021. Based on discussions with Polonia management, FinPro assumed that Polonia would not pay a dividend through March 31, 2021. Taking into account these earnings per share estimates, estimated tangible book value per share for Polonia at March 31, 2017, 2018, 2019, 2020 and 2021 were also extrapolated from Polonia's historical tangible book value per share at March 31, 2016 for purposes of the financial analyses performed in connection with FinPro's opinion. The table above under "Investment Value Approach" presents unaudited prospective earnings per share for Polonia for the twelve months ended March 31, 2016 through 2021 and unaudited prospective tangible book value per share estimates at March 31, 2016, 2017, 2018, 2019, 2020 and 2021, as described above.

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In addition, for purposes of the financial analyses performed in connection with FinPro's opinion, Prudential discussed with FinPro and FinPro used, management's estimates of Prudential's earnings per share for the years ending September 30, 2016, 2017 and 2018. For purposes of these financial analysis, FinPro estimated an annual earnings growth rate of 7% per year, in each case, for the years ending September 30, 2019, 2020 and 2021. Based on discussions with Prudential management, FinPro used estimated annual dividends per share for 2016 through 2021 being held constant at \$0.12 per share. Taking into account these earnings per share and dividend estimates, estimated tangible book value per share for Prudential at September 30, 2017, 2018, 2019, 2020 and 2021 were also extrapolated from Prudential's estimated historical tangible book value per share at September 30, 2016 for purposes of the financial analyses performed in connection with FinPro's opinion. The following table presents unaudited prospective earnings per share estimates for Prudential for the years ended September 30, 2016 through 2021 and unaudited prospective tangible book value per share estimates at September 30, 2016, 2017, 2018, 2019, 2020 and 2021 as described above.

	<b>Year Ended September 30,</b>					
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Earnings per share	\$0.22	\$0.41	\$0.46	\$0.49	\$0.53	\$0.57
Tangible book value per share	\$13.98	\$14.27	\$14.63	\$14.97	\$15.33	\$15.74

The extrapolated unaudited prospective financial information included above for Prudential and Polonia was calculated solely for purposes of the financial analyses performed in connection with FinPro's opinion. The inclusion of any unaudited prospective financial information for Prudential or Polonia should not be regarded as an indication that any of Prudential, Polonia, FinPro, their respective representatives or any other recipient of this information considered, or now considers, it to be necessarily predictive of actual future results, or that it should be construed as financial guidance, and it should not be relied on as such. This information was prepared solely for internal use and is subjective in many respects. While presented with numeric specificity, the unaudited prospective financial information reflects numerous estimates and assumptions made with respect to business, economic, market, competition, regulatory and financial conditions and matters specific to Prudential's and Polonia's respective businesses, all of which are difficult to predict and many of which are beyond Prudential's and Polonia's control.

The unaudited prospective financial information reflects both assumptions as to certain business decisions that are subject to change and, in many respects, subjective judgment, and thus is susceptible to multiple interpretations and periodic revisions based on actual experience and business developments. Neither Prudential nor Polonia can give assurance that the unaudited prospective financial information and the underlying estimates and assumptions will be realized. In addition, since the unaudited prospective financial information covers multiple years, such information by its nature becomes less predictive with each successive year. Actual results may differ materially from those set forth above, and important factors that may affect actual results and cause the unaudited prospective financial information to be inaccurate include, but are not limited to, risks and uncertainties relating to Prudential's and Polonia's respective businesses, industry performance, general business and economic conditions, customer requirements, competition and adverse changes in applicable laws, regulations or rules. For other factors that could cause actual results to differ, please see the sections entitled "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements."

The unaudited prospective financial information was not prepared with a view toward public disclosure, nor was it prepared with a view toward compliance with GAAP, published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Neither Prudential's nor Polonia's independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the unaudited prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability. The prospective financial information with respect to Polonia included in this registration statement has been provided by Polonia's management and the prospective financial information with respect to Prudential included in this registration statement has been provided by Prudential's management. S.R. Snodgrass, P.C., which we refer to as Snodgrass, the independent registered public

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accounting firm for both Polonia and Prudential, has not examined, compiled or performed any procedures with respect to the accompanying prospective financial information and, accordingly, Snodgrass expresses no opinion or any other form of assurance with respect thereto. The Snodgrass report with respect to Prudential's consolidated financial statements that is incorporated by reference relates to Prudential's historical financial information, and the Snodgrass report with respect to Polonia's consolidated financial statements that is included in this proxy statement/prospectus relates to Polonia's historical financial information. Such reports do not extend to the prospective financial information and should not be read to do so.

Furthermore, the unaudited prospective financial information does not take into account any circumstances or events occurring after the date it was prepared. Neither Prudential nor Polonia can give assurance that, had the unaudited prospective financial information been prepared either as of the date of the merger agreement or as of the date of this proxy statement/prospectus, similar estimates and assumptions would be used. Prudential and Polonia do not intend to, and disclaim any obligation to, make publicly available any update or other revision to the unaudited prospective financial information to reflect circumstances existing since their preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error, or to reflect changes in general economic or industry conditions.

The unaudited prospective financial information does not take into account the possible financial and other effects on Prudential or Polonia of the merger and does not attempt to predict or suggest future results of the combined company. The unaudited prospective financial information does not give effect to the merger, including the impact of negotiating or executing the merger agreement, the expenses that may be incurred in connection with consummating the merger, the potential synergies that may be achieved by the combined company as a result of the merger, the effect on Prudential or Polonia of any business or strategic decision or action that has been or will be taken as a result of the merger agreement having been executed, or the effect of any business or strategic decisions or actions which would likely have been taken if the merger agreement had not been executed, but which were instead altered, accelerated, postponed or not taken in anticipation of the merger. Further, the unaudited prospective financial information does not take into account the effect on Prudential or Polonia of any possible failure of the merger to occur. None of Prudential, Polonia, FinPro or their respective affiliates, officers, directors, advisors or other representatives has made, makes or is authorized in the future to make any representation to any shareholder of Prudential or Polonia or other person regarding Prudential's or Polonia's ultimate performance compared to the information contained in the unaudited prospective financial information or that the forecasted results will be achieved. The inclusion of the unaudited prospective financial information herein should not be deemed an admission or representation by Prudential, Polonia, FinPro or any other person that it is viewed as material information of Prudential or Polonia, particularly in light of the inherent risks and uncertainties associated with such forecasts. The unaudited prospective financial information included above is not being included to influence your decision whether to vote in favor of the merger proposal or any other proposal to be considered at the Polonia special meeting, but is being provided solely because it was made available to Polonia's financial advisor in connection with the merger.

In light of the foregoing, and considering that the Polonia special meeting will be held several months after the unaudited prospective financial information was prepared, as well as the uncertainties inherent in any forecasted information, Polonia shareholders are cautioned not to place unwarranted reliance on such information.

### **Board of Directors and Management of Prudential Following Completion of the Merger**

Following completion of the merger and the bank subsidiary merger, the directors and officers of Prudential and Prudential Bank will be the directors and executive officers of Prudential and Prudential Bank immediately prior to the merger and the bank subsidiary merger.

### **Trading Markets for Prudential and Polonia Common Stock**

Prudential's common stock trades on the NASDAQ Global Market under the symbol "PBIP." Polonia's common stock is traded on the OTC Pink Marketplace under the symbol "PBCP." The shares of Prudential common stock issuable to holders of Polonia common stock in the merger will be listed on NASDAQ.

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**Regulatory Approvals Required for the Merger**

Each of Prudential and Polonia has agreed to cooperate with the other and use all reasonable efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement, including the merger and the bank merger. These approvals include approval from the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation and the Pennsylvania Department of Banking and Securities as well as various other regulatory authorities. Prudential and Polonia have completed, or will complete, the filing of applications and notifications to obtain the required regulatory approvals.

Prudential's and Polonia's obligations to complete the transactions contemplated by the merger agreement the receipt of all regulatory consents and approvals required to consummate the transactions contemplated by the merger agreement, without conditions (excluding standard conditions that are normally imposed in bank merger transactions) that would, in the good faith reasonable judgment of the Prudential board of directors, materially and adversely affect the business, operations, financial condition, property or assets of the combined enterprise of Prudential and Polonia or materially impair the value of Polonia to Prudential.

Prudential and Polonia cannot assure you that all of the regulatory approvals described above will be obtained, and, if obtained, Prudential and Polonia cannot assure you as to the date of any approvals or the absence of any litigation challenging such approvals.

Neither Prudential nor Polonia is aware of any material governmental approvals or actions that are required for completion of the transactions other than those described above. It is presently contemplated that if any such additional governmental approvals or actions are required, those approvals or actions will be sought. There can be no assurance, however, that any additional approvals or actions will be obtained.

Pursuant to the Bank Holding Company Act, a transaction approved by the Federal Reserve Board may not be completed until 30 days after approval is received, during which time the Antitrust Division of the Department of Justice may challenge the transactions on antitrust grounds. The commencement of an antitrust action would suspend the effectiveness of an approval unless a court were to order specifically otherwise. With the approval of the Federal Reserve Board and the concurrence of the Antitrust Division, the waiting period may be reduced to no less than 15 days. There are similar waiting periods under the Bank Merger Act with regard to the approval of the merger of Polonia Bank with and into Prudential Bank by the Federal Deposit Insurance Corporation.

**Interests of Certain Persons in the Merger that are Different from Yours**



In considering the recommendation of the Polonia board of directors with respect to the merger agreement, Polonia shareholders should be aware that certain persons, including the directors and executive officers of Polonia, have interests in the merger that are in addition to their interests as shareholders of Polonia generally. The Polonia board of directors was aware of these interests as well as others and considered them in adopting the merger agreement and the transactions contemplated thereby. As described in more detail below, these interests include certain payments and benefits that may be provided to the executive officers upon completion of the merger, including cash severance and continued health and welfare benefits. The provision of the severance and continued health and welfare benefits, the acceleration of the vesting of stock options and restricted stock awards and the acceleration of benefits under the supplemental executive retirement plan described below require the approval of the Federal Deposit Insurance Corporation, which we refer to as the FDIC, and/or the OCC prior to payment. In addition, the prior approval or non-objection of the Federal Reserve Board may also be required. As a result, such severance, continued health and welfare benefits and acceleration of stock benefits may be reduced or prohibited by the FDIC and/or the OCC. The dates and share prices used below to quantify these interests have been selected for illustrative purposes only. They do not necessarily reflect the dates on which certain events will occur and do not represent a projection about the future value of Polonia common stock.

***Cash Payment for Outstanding Options.*** Under the terms of the merger agreement, all Polonia stock options that are outstanding and unexercised at the time of the merger, whether or not vested, will be cancelled, and in lieu thereof the holders of such options will be paid in cash an amount equal to the product of (i) the number of shares of Polonia common stock subject to such option at the closing and (ii) an amount equal to the excess, if any, of the per share cash consideration over the exercise price per share of such option, net of any cash which must be withheld under federal and state income and employment tax requirements. As of July 1, 2016, the members of the

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board of directors and the executive officers of Polonia as a group held options to purchase an aggregate of 200,212 shares of Polonia common stock, including options to purchase 88,875 shares which have not yet vested. Of the 200,212 outstanding stock options, options for a total of 59,759 shares (including unvested options for 47,807 shares) had an exercise price of \$13.25 per share and, absent an increase in the cash consideration, will be cancelled upon completion of the merger. If none of such options are exercised prior to completion of the merger and if the cash consideration remains \$11.28 per share, the directors and executive officers of Polonia as a group will receive an aggregate of approximately \$275,000 upon cancellation of their stock options. As of July 1, 2016, Mr. Rutkowski, Polonia's Chief Financial Officer, and each non-employee director held unvested stock options with an aggregate value of \$21,105 and \$5,275, respectively, based upon the current cash consideration of \$11.28 per share. All of the stock options held by Mr. Svetik, Polonia's President and Chief Executive Officer, have an exercise price of \$13.25 per share, and Mr. Gallagher, Polonia's Chief Lending Officer, does not hold any stock options.

In the event the value of the stock consideration is higher than the cash consideration, holders of vested stock options to purchase shares of Polonia common stock could elect to exercise their vested stock options prior to completion of the merger and then elect to receive shares of Prudential common stock in the merger in order to recognize a greater value for their vested stock options. Any such election to receive shares of Prudential common stock would be subject to the proration procedures in the merger agreement.

***Acceleration of Vesting of Restricted Stock Awards.*** Under the terms of the merger agreement, each outstanding share of Polonia restricted stock will vest in full as of the effective time of the merger and will be entitled to receive the merger consideration. As of July 1, 2016, the directors and executive officers and directors of Polonia as a group held 16,390 unvested shares of Polonia restricted stock, which have an aggregate value of \$183,879 if the merger consideration is \$11.28 per share. Of such amount, Mr. Rutkowski holds 8,194 shares of Polonia restricted stock having a value of \$92,428 if the merger consideration is \$11.28 per share, and each of our four non-employee directors hold 2,049 unvested shares of Polonia restricted stock having a value of \$23,113.

***Employment Agreements with Polonia.*** Polonia and Polonia Bank maintain a three-year employment agreement with Mr. Svetik as President and Chief Executive Officer, with a current base salary of \$300,000, a three-year employment agreement with Mr. Rutkowski as Executive Vice President and Chief Financial Officer, with a current base salary of \$164,500 and a two-year employment agreement with Mr. Gallagher as Chief Lending Officer, with a current base salary of \$150,000.

Under Mr. Svetik's employment agreement, if a change in control, as defined in the employment agreement, occurs during the term of the employment agreement and, within one year thereafter, Mr. Svetik's employment terminates involuntarily but without cause or if Mr. Svetik voluntarily terminates employment with good reason, all of his unvested stock options will vest and he will receive a lump sum severance benefit equal to one year's base salary (\$300,000). The employment agreement with Mr. Rutkowski provides that in the event of a change in control followed by voluntary termination of employment (upon circumstances described in the agreement constituting a constructive termination) or involuntary termination of employment for reasons other than cause, Mr. Rutkowski is entitled to receive a severance payment equal to three times the average of his five preceding taxable years' annual

compensation, subject to reduction as described below. Assuming the merger is completed in 2016, Mr. Rutkowski's cash severance would be \$535,683. In addition, Mr. Rutkowski will also receive the contributions he would have received under Polonia's retirement programs for a period of 36 months, as well as health, life, dental and disability coverage for that same time period. Under Mr. Gallagher's employment agreement, if a change in control, as defined in the employment agreement, occurs during the term of the employment agreement and, within one year thereafter, Mr. Gallagher's employment terminates involuntarily but without cause or if Mr. Gallagher voluntarily terminates employment with good reason, he will receive a lump sum severance payment based on Polonia Bank's loans receivable, net outstanding on the last day of the month preceding the effective time of the merger up to a maximum of \$150,000.

The employment agreements provide that in no event shall the aggregate payments or benefits to be provided to the executives under the agreements constitute an "excess parachute payment" within the meaning of Section 280G of the Code and to avoid such a result the payments or benefits will be reduced to one dollar less than the amount equal to three times the executive's "base amount" as determined in accordance with Section 280G of the Code. Accordingly, the severance payments to the executive officers are subject to possible reduction. Mr. Rutkowski is subject to a one-year non-compete if he terminates his employment for good reason or if he is terminated without cause following a change in control.

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***Supplemental Executive Retirement Plan for Paul D. Rutkowski.*** Polonia Bank sponsors a supplemental executive retirement plan that provides for the payment of supplemental retirement benefits to Mr. Rutkowski. The annual retirement benefit for Mr. Rutkowski under the supplemental executive retirement plan is \$50,000 per year, payable annually for 20 years following termination of employment. Under the plan, upon termination of employment following a change in control, Mr. Rutkowski will receive \$1,000,000 in a lump sum payment. A portion of the lump sum payment may be considered a “parachute payment” for purposes of Section 280G of the Code, and therefore, is subject to reduction as described above.

***Indemnification and Continued Director and Officer Liability Coverage.*** From and after the effective time of the merger, Prudential has agreed to indemnify and hold harmless each person who is now, or who has been at any time before the effective time of the merger, an officer or director or employee of Polonia and its subsidiaries against all losses, costs, damages or expenses incurred in connection with any claim, action, suit, proceeding or investigation that is a result of matters that existed or occurred at or before the effective time of the merger to the same extent as Polonia currently provides for indemnification of its officers and directors. In addition, Prudential has agreed to provide directors’ and officers’ liability insurance coverage for a period of six years following the effective time of the merger to the directors and officers of Polonia immediately before the effective time of the merger under the directors’ and officers’ liability insurance policy currently maintained by Polonia or policies of at least the same coverage and amount and containing terms and conditions that are not less advantageous than the current policy, with respect to acts or omissions occurring prior to the effective time of the merger, except that Prudential is not required to incur an annual premium expense greater than 150% of Polonia’s current annual directors’ and officers’ liability insurance premium or, if Prudential determines to substitute “tail” policies with similar terms for Polonia’s existing insurance policies, it is not required to spend more than 250% of the annual cost currently expended by Polonia with respect to such insurance.

## **Voting Agreements**

In connection with Polonia’s entry into the merger agreement, Polonia’s directors and certain executive officers entered into voting agreements that require, among other things, the directors and executive officers, in their capacities as Polonia shareholders, to vote in favor of the approval and adoption of the merger agreement at the Polonia special meeting.

The form of voting agreement is attached as Exhibit B to the merger agreement, which is attached to this proxy statement/prospectus as Annex A.

## **Dissenters’ Rights**

**General.** Maryland law grants shareholders of Polonia the right to dissent from the merger and to obtain payment of the “fair value” of their shares in the event that the merger is completed.

Under Sections 3-201 through 3-213 of the MGCL, Polonia shareholders have the right to object to the merger and to demand and receive “fair value” of their shares of Polonia common stock, determined as of the date of the meeting at which the merger is approved, without reference to any appreciation or depreciation in value resulting from the merger or its proposal. These rights are also known as dissenters’ rights.

Sections 3-201 through 3-213 of the MGCL, which set forth the procedures a shareholder requesting payment for his, her or its shares must follow, are reprinted in their entirety as Annex C to this proxy statement/prospectus. The following discussion is not a complete statement of the law relating to dissenters’ rights under Sections 3-201 through 3-213 of the MGCL. This discussion and Annex C should be reviewed carefully by any Polonia shareholder who wishes to exercise dissenters’ rights or who wishes to preserve the right to do so, as failure to strictly comply with the procedures set forth in Sections 3-201 through 3-213 of the MGCL will result in the loss of dissenters’ rights.

**Requirements.** Sections 3-201 through 3-213 of the MGCL generally require the following:

*Written Objection to the Proposed Transaction.* Polonia shareholders who desire to exercise their dissenters’ rights must file with Polonia, at or before the Polonia special meeting to vote on the merger agreement and the merger, a written objection to the proposed transaction. A vote against

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the merger agreement and the merger will not satisfy such objection requirement. The written objection should be delivered or addressed to Polonia Bancorp, Inc., 3993 Huntington Pike, 3<sup>rd</sup> Floor, Huntington Valley, Pennsylvania 19006, Attention: Paul D. Rutkowski, Corporate Secretary.

*Refrain From Voting For or Consenting to the Merger Proposal.* If you wish to exercise your dissenters' rights, you must not vote in favor of the proposal to approve the merger agreement and the merger. If you return a properly executed proxy that does not instruct the proxy holder to vote against or to abstain on the proposal to approve the merger agreement and the merger, or otherwise vote in favor of the merger agreement and the merger, your dissenters' rights will terminate, even if you previously filed a written notice of intent to demand payment. You do not have to vote against the merger in order to preserve your dissenters' rights.

*Written Demand for Payment.* Within 20 days after acceptance of the articles of merger by the Maryland State Department of Assessments and Taxation, you must make a written demand on Prudential for payment of your stock that states the number and class of shares for which payment is demanded. All written demands for payment of the fair value of Polonia common stock should be delivered or addressed to Prudential Bancorp, Inc., 1834 West Oregon Avenue, Philadelphia, Pennsylvania 19145, Attention: Corporate Secretary.

An objection to the merger, demand for payment of the fair value and a petition for appraisal, discussed below, must be executed by or on behalf of the holder of record, fully and correctly, as the holder's name appears on the holder's stock certificates. Therefore, if your Polonia common stock is owned of record in a fiduciary capacity, such as by a broker, trustee, guardian or custodian, execution of the demand should be made in that capacity.

*Prudential Written Notice.* Under Section 3-207 of the MGCL, Prudential, as the successor to Polonia, will promptly notify each objecting Polonia shareholder in writing of the date the articles of merger were accepted for record by the Maryland State Department of Assessments and Taxation. Prudential may also send a written offer to pay the objecting holders of Polonia common stock what it considers to be the fair value of the stock. If Prudential chooses to do this, it will provide each objecting shareholder of Polonia with: (i) a balance sheet as of a date not more than six months before the date of the offer; (ii) a profit and loss statement for the 12 months ending on the date of that balance sheet; and (iii) any other information Prudential considers pertinent.

Any shareholder who files a notice of objection, but fails to file a written demand for the payment of fair value in a timely manner, will be bound by the vote of the Polonia shareholders and will not be entitled to receive payment in cash as an objecting shareholder.

If you demand payment for your Polonia common stock, you have no right to the Prudential common stock or cash into which your Polonia common stock would be converted after the merger is approved, except the payment of fair value. If you demand payment for your Polonia common stock, your rights as a Polonia shareholder will be restored if the demand for payment is withdrawn, a petition of appraisal is not filed within the time required, a court determines that you are not entitled to relief, or the merger is abandoned or rescinded. A demand for payment may be withdrawn

only with Polonia's consent.

***Petition for Appraisal.*** Within 50 days after the date the articles of merger are accepted by the Maryland State Department of Assessments and Taxation, Prudential or any holder of Polonia common stock who has complied with the statutory requirements summarized above may file a petition with a court of equity in Baltimore County, Maryland, for an appraisal to determine the fair value of Polonia common stock (an "appraisal"). Prudential is not obligated to, and has no present intention to, file a petition with respect to an appraisal of the fair value of Polonia common stock. Accordingly, it is the obligation of objecting holders of Polonia common stock to initiate all necessary action to perfect their dissenters' rights within the time period prescribed by Section 3-208 of the MGCL.

If a petition for an appraisal is timely filed, after a hearing on the petition, the court will determine the holders of Polonia common stock that are entitled to dissenters' rights and will appoint three disinterested appraisers to determine the fair value of the Polonia common stock on terms and conditions the court considers proper. Within 60 days after appointment (or such longer period as the court may direct), the appraisers will file with the court and

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mail to each party to the proceeding their report stating their conclusion as to the fair value of the stock. Within 15 days after the filing of this report, any party may object to such report and request a hearing. The court shall, upon motion of any party, enter an order confirming, modifying or rejecting such report and, if confirmed or modified, enter judgment directing the time within which payment for the fair value shall be made by Prudential. If the appraisers' report is rejected, the court may determine the fair value of the stock of the objecting shareholders or may remit the proceeding to the same or other appraisers. Any judgment entered pursuant to a court proceeding shall include interest from the date of the Polonia shareholders' vote on the merger. The cost of the appraisal proceedings, including compensation and expenses of the appraisers, will be Prudential's responsibility, except that all or any part of the expenses may be assessed against any and all of the objecting shareholders to whom an offer to pay for common stock has been made, if the court finds the failure to accept the offer was arbitrary and vexatious or not in good faith. Costs of the proceedings will not include fees and expenses of counsel. Costs of the proceedings may include fees and expenses of experts only if Prudential did not make an offer of payment for your common stock or if the value of the common stock as determined in the appraisal proceeding materially exceeds the amount offered by Prudential. The court's judgment is final and conclusive on all parties and has the same force and effect as other decrees in equity.

***Fair Value.*** You should be aware that the fair value of your Polonia common stock as determined under Sections 3-201 through 3-213 of the MGCL could be more than, the same as or less than the value of the Prudential stock you would receive in the merger if you did not seek appraisal of your Polonia common stock. You should further be aware that, if you have duly demanded the payment of the fair value of your Polonia common stock in compliance with Section 3-203 of the MGCL, you will not, after making such demand, be entitled to vote the Polonia common stock subject to the demand for any purpose or be entitled to, with respect to such shares of stock, the payment of dividends or other distributions payable to holders of record on a record date occurring after the close of business on the date the shareholders approved the merger agreement and the merger. Fair value may not include any appreciation or depreciation that directly or indirectly results from the transaction objected to or from its proposal.

If you fail to comply strictly with these procedures you will lose your dissenters' rights. Consequently, if you wish to exercise your dissenters' rights, Polonia strongly urges you to consult a legal advisor before attempting to exercise your dissenters' rights.



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**THE MERGER AGREEMENT**

*The following describes certain aspects of the merger, including certain material provisions of the merger agreement. The following description of the merger agreement is subject to, and qualified in its entirety by reference to, the merger agreement, which is attached to this proxy statement/prospectus as Annex A and is incorporated by reference into this proxy statement/prospectus. We urge you to read the merger agreement carefully and in its entirety, as it is the legal document governing this merger.*

**Terms of the Merger**

Each of the Prudential board of directors and the Polonia board of directors has adopted and approved the agreement and plan of merger, which provides for Prudential's acquisition of Polonia and the merger of Polonia with and into Prudential and the substantially simultaneous merger of Polonia Bank with and into Prudential Bank. Each share of Prudential common stock issued and outstanding immediately prior to completion of the merger will remain issued and outstanding as one share of common stock of Prudential. Each share of Polonia common stock issued and outstanding at the effective time of the merger (with the exception of Company-Owned Stock, as defined below and shares of Polonia common stock owned by shareholders exercising their dissenters' rights) will be converted into shares of Prudential common stock or cash, or a combination of shares of Prudential common stock and cash, as described below. See "— Consideration to Be Received in the Merger." Company-Owned Stock means shares of Polonia held in treasury by Polonia or any shares of Polonia held by Prudential immediately prior to the effective time of the merger (other than shares held in a fiduciary capacity or in connection with debts previously contracted). Each share of Polonia common stock held as Company-Owned Stock immediately prior to the effective time of the merger will be canceled and retired and no consideration will be issued in exchange for Company-Owned Stock. As of the date of this document, Prudential does not own any shares of common stock of Polonia.

The Prudential articles of incorporation and bylaws of Prudential as in effect at the time of the merger will be the articles of incorporation and bylaws of Prudential as the surviving entity after the completion of the merger. The merger agreement provides that Prudential may change the method of effecting the merger. No such change will alter the amount or kind of merger consideration to be provided under the merger agreement, adversely affect the tax consequences to Polonia shareholders, or materially jeopardize or delay obtaining consents or regulatory approvals relating to the merger, satisfaction of a closing condition or otherwise adversely affect Polonia or Polonia shareholders.

**Closing and Effective Time of the Merger**

The merger will be completed no later than the twentieth calendar day following the satisfaction or waiver of all conditions to the merger discussed in this proxy statement/prospectus and set forth in the merger agreement, or within five business days of the acceptance by Prudential of the closing balance sheet of Polonia, prepared as set forth in the merger agreement, whichever is later, or on such other date as may be agreed to in writing by the parties. See “— Conditions to Complete the Merger.” The merger shall become effective on the date and time specified in the articles of merger filed with the Department of State of the Commonwealth of Pennsylvania and the Maryland State Department of Assessments and Taxation. It is currently anticipated that the effective time of the merger will occur in the fourth quarter of 2016, but Prudential and Polonia cannot guarantee when or if the merger will be completed.

### **Consideration to be Received in the Merger**

As a result of the merger each Polonia shareholder will have the right, with respect to each share of Polonia common stock held (excluding Company-Owned Stock and shares of Polonia common stock owned by shareholders exercising their dissenters’ rights), to elect to receive either 0.7591 of a share of Prudential common stock or \$11.28 in cash, subject to adjustment as described in this proxy statement/prospectus.

Under the terms of the merger agreement, 50% of the issued and outstanding shares of Polonia common stock will be exchanged for Prudential common stock and 50% will be exchanged for cash. To the extent necessary

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to satisfy the provisions of the merger agreement specifying the amounts of these relative types of consideration, certain allocation and proration procedures, described below in “—Proration Procedures,” will be used.

The merger agreement provides that the exchange ratio of 0.7591 of a share of Prudential common stock for a share of Polonia common stock and the per share cash consideration of \$11.28 are subject to adjustment in certain limited situations. In the event that the Polonia consolidated stockholders' equity as of the month end succeeding the receipt of (i) the approval of the merger agreement by the Polonia shareholders at the Polonia special meeting as well as (ii) all of the required regulatory approvals necessary to consummate the merger of Polonia with and into Prudential, referred to as the final statement date, is less than \$37,401,000 (the amount of Polonia's consolidated stockholders' equity as of April 30, 2016), then both the exchange ratio and the per share cash consideration will be adjusted downward to reflect the amount of the difference between \$37,401,000 and the Polonia consolidated stockholders' equity as of final statement date. For this purpose, the calculation of Polonia consolidated stockholders' equity shall exclude (i) any change after April 30, 2016 in the net accumulated other comprehensive income (loss) related to unrealized gains or losses on available for sale securities, (ii) the after-tax impact of any net gains on the sale of investment securities and/or loans realized after April 30, 2016, (iii) the after-tax impact of any accruals, reserves or charges resulting from expenses of the merger and other transactions contemplated by the merger agreement incurred after April 30, 2016 including but not limited to Polonia investment banking fees, attorney's and accountant's fees, amounts owing and paid under management contracts and termination fees under any material contracts that are terminated in connection with the merger or actions required to be taken by Polonia pursuant to the terms of the merger agreement (subject to certain exceptions), (iv) the after-tax impact of any recoveries on or before the final statement date of reserves taken by Polonia on or before April 30, 2016 with respect to litigation pending as of the date of the merger agreement as the result of entry into a binding settlement agreement or arbitration award or entry of a final judicial determination of a court of competent jurisdiction prior to the final statement date with respect to such litigation, and (v) the after-tax impact of any recoveries or reversals on or before the final statement date of the liability recorded, as reflected in the audited financial statements for the year ended December 31, 2015, with respect to the post-retirement deferred compensation and split dollar arrangement with the previous president of Polonia as a result of entry into a binding agreement with such person with respect to the benefits due thereto pursuant to such benefit arrangements prior to the final statement date.

The exchange ratio and the per share cash consideration are subject to potential upward adjustment to reflect (i) the after-tax impact of any recoveries referenced in subclauses (iv) and (v) in the preceding paragraph experienced by Polonia achieved prior to the final statement date less (ii) the aggregate legal and accounting fees and expenses incurred with respect to the merger agreement and the transactions contemplated thereby, but only to the extent such aggregate legal and accounting fees and expenses incurred on or before the final statement date exceed \$350,000, collectively referred to as the net equity adjustment. In such situation, the exchange ratio and the per share cash consideration, as they may have been adjusted downward as noted above, will be correspondingly adjusted to reflect the amount of such net equity adjustment.

If, as of the final statement date, the Polonia consolidated stockholders' equity, as calculated in accordance with the merger agreement, is less than \$37,401,000, the per share cash consideration and the exchange ratio shall be reduced as set forth below, subject to possible increase:

(i) the per share cash consideration will be reduced from \$11.28 by an amount equal to (i) \$37,401,000 minus (ii) the Polonia consolidated stockholders' equity as of the final statement date, with such difference being divided by the number of issued and outstanding shares of Polonia common stock immediately preceding the closing of the merger, rounded to the nearest cent; and

(ii) the exchange ratio shall be reduced by (i) subtracting from \$37,401,000 the Polonia consolidated stockholders' equity as of the final statement date, (ii) dividing the difference in clause (i) by the number of issued and outstanding shares of Polonia common stock immediately preceding the closing of the merger, (iii) dividing the quotient in clause (ii) by \$14.86, and (iv) subtracting the quotient in clause (iii) from the exchange ratio, with the adjusted exchange ratio being rounded to the nearest ten-thousandth.

If the net equity adjustment is a positive dollar amount, then the per share cash consideration and the exchange ratio (in each case after reflecting any downward adjustment determined as described above) shall be increased as set forth below:

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(i) the per share cash consideration (after reflecting any downward adjustment determined as described above) will be increased by an amount equal to the net equity adjustment divided by the number of issued and outstanding shares of Polonia common stock immediately preceding the closing of the merger, rounded to the nearest cent.

(ii) the exchange ratio (after reflecting any downward adjustment determined as described above) shall be increased by (i) dividing the net equity adjustment by the number of issued and outstanding shares of Polonia common stock immediately preceding the closing of the merger, (ii) dividing the quotient in clause (i) by \$14.86, and (iii) adding the quotient in clause (ii) to the exchange ratio with the adjusted exchange ratio being rounded to the nearest ten-thousandth.

As of the date hereof, Prudential and Polonia do not know if any adjustments to the exchange ratio and the per share cash consideration will be required as a result of the calculation of Polonia's consolidated stockholders' equity as of the final statement date.

## **Election Process**

A form of election/letter of transmittal will be prepared by Prudential in a form reasonably acceptable to Polonia which shall be mailed or delivered to record holders of Polonia common stock as of a date five business days before the mailing date of the election form. The mailing date shall not be more than 40 business days and not less than 20 business days prior to the election deadline. The election deadline will be the later of (i) the date of the Polonia special meeting and (ii) the date which Prudential and Polonia agree is five business days before the merger is to be completed. Polonia shareholders must return their properly completed and signed election form to the exchange agent prior to the election deadline. If you are a Polonia shareholder and you do not return your election form by the election deadline or improperly complete or do not sign your election form, you will have no control over the type of consideration you receive and you may receive only cash, only shares of Prudential common stock or a mixture of cash and shares of Prudential common stock based on what is available after giving effect to the valid elections made by other shareholders pursuant to the proration adjustment described below.

A Polonia shareholder may specify different elections with respect to different shares held by him or her. For example, if the shareholder has 100 shares, the shareholder could make a cash election with respect to 50 shares and a stock election with respect to the other 50 shares.

## **Cash Election**

The merger agreement provides that each Polonia shareholder who makes a valid cash election will have the right to receive, in exchange for each share of Polonia common stock held by such holder, cash equal to \$11.28, subject to adjustment as previously described, without interest. If the holders of more than 50% of the outstanding shares of Polonia common stock elect to receive the cash consideration for their shares, the exchange agent will apply the proration procedures described below in “—Proration Procedures,” and Polonia shareholders who elected only cash consideration will receive a mix of cash consideration and stock consideration.

### **Stock Election**

The merger agreement provides that each Polonia shareholder who makes a valid stock election will have the right to receive, in exchange for each share of Polonia common stock held, 0.7591 of a share of Prudential common stock, subject to possible adjustment as previously described. Under the terms of the merger agreement, if Polonia shareholders, collectively, elect stock consideration in an aggregate amount greater than 50% of the outstanding shares of Polonia common stock, the exchange agent will apply the proration procedures described below in “—Proration Procedures,” and Polonia shareholders who elected only stock consideration will receive a mix of cash consideration and stock consideration

No fractional shares of Prudential common stock will be issued to any holder of Polonia common stock upon completion of the merger. For each fractional share that would otherwise be issued, Prudential will pay cash in an amount determined by multiplying (1) the fraction of a share (after taking into account all shares of Polonia common stock held by such holder at the effective time of the merger and rounded to the nearest thousandth when expressed in decimal form) of Prudential common stock to which such holder would otherwise have been entitled to

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receive, and (2) the quotient obtained by dividing (x) the per share cash consideration by (y) the exchange ratio. For purposes of determining any fractional share interest, all shares of Polonia common stock owned by a Polonia shareholder shall be combined so as to calculate the maximum number of whole shares of Prudential common stock issuable to such Polonia shareholder pursuant to the merger agreement. No interest will be paid or accrued on cash payable to holders in lieu of fractional shares.

**Non-Election Shares**

If a Polonia shareholder does not make an election to receive cash or Prudential common stock in the merger, or the shareholder's elections are not received by the exchange agent by the election deadline, or the election form is not properly completed and/or is not signed, the Polonia shareholder will be deemed to not have made an election. Polonia shareholders not making an election will receive merger consideration depending on, and after giving effect to, the valid elections that have been made by other Polonia shareholders. The proration procedures described below will then be used to determine the form of consideration to be received by Polonia shareholders not making an election. If the Polonia shareholder does not make an election, he or she may receive only cash, only shares of Prudential common stock or a mixture of cash and shares of Prudential common stock.

**Proration Procedures**

It is unlikely that the elections made by Polonia shareholders will be made in the exact proportions of cash consideration and stock consideration provided for in the merger agreement. As a result, the merger agreement included procedures to be followed if Polonia shareholders in the aggregate elect to receive more or less cash or shares of Prudential common stock than provided for in the merger agreement. These procedures are summarized below.

***If Stock Consideration Is Oversubscribed***

If Polonia shareholders elect to receive, in the aggregate, more shares of Prudential common stock than Prudential has agreed to issue in the merger pursuant to the terms of the merger agreement, then:

all Polonia shareholders who have elected to receive cash or who have made no election will receive the cash consideration in exchange for their Polonia shares; and

all Polonia shareholders who elected to receive shares of Prudential common stock will receive a pro rata portion of the Prudential shares of common stock available for issuance pursuant to terms of the merger agreement plus cash consideration for those shares of Polonia common stock that are not exchanged for shares of Prudential common stock.

***If Stock Consideration Is Undersubscribed***

If Polonia shareholders elect to receive, in the aggregate, fewer shares of Prudential common stock than the number of shares to be issued pursuant to the terms of the merger agreement (by the holders of more than 50% of Polonia shares of common stock electing to receive cash in exchange for their shares of Polonia common stock), then all Polonia shareholders who have elected to receive shares of Prudential common stock will receive shares of Prudential common stock in exchange for their Polonia shares and those shareholders who elected to receive cash or who have made no election will be treated in the following manner:

if the number of shares held by Polonia shareholders who have made no election, if exchanged for shares of Prudential common stock based upon the exchange ratio, is sufficient to make up the shortfall in the number of shares of Prudential common stock to be issued pursuant to the terms of the merger agreement, then all Polonia shareholders who elected cash consideration will receive cash in exchange for their Polonia shares, and those shareholders who made no election will receive a combination of cash and shares of Prudential common stock in such proportion as is necessary to make up the shortfall; or

if the number of shares held by Polonia shareholders who have made no election, if exchanged for shares of Prudential common stock based upon the exchange ratio, is insufficient to make up



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the shortfall in the number of shares of Prudential common stock to be issued pursuant to the terms of the merger agreement, then all Polonia shareholders who made no election will receive shares of Prudential common stock and those Polonia shareholders who elected to receive cash consideration will receive a combination of cash and shares of Prudential common stock in such proportion as is necessary to make up the shortfall.

Neither Prudential nor Polonia is making any recommendation as to whether Polonia shareholders should elect to receive only shares of Prudential common stock, only cash or a combination of both types of consideration. Neither Prudential nor Polonia is making any recommendation as to whether Polonia shareholders should elect to receive a specific ratio of cash or Prudential common stock. Each Polonia shareholder must make his or her own decision with respect to election to receive Prudential common stock, cash or a combination thereof for his or her shares of Polonia stock. In addition, because the tax consequences of receiving cash will differ from the tax consequences of receiving Prudential common stock, each shareholder should carefully read the discussion included below under “Material United States Federal Income Tax Consequences of the Merger” (page [·]) and consult his or her personal tax advisor.

### **Conversion of Shares; Letter of Transmittal; Exchange of Certificates**

The conversion of Polonia common stock into the right to receive the merger consideration will occur automatically at the effective time of the merger. As soon as reasonably practicable after completion of the merger but in any event within five business days, the exchange agent will mail to each Polonia shareholder who has not submitted an election form, a letter of transmittal with instructions on how to exchange certificates representing shares of Polonia common stock for the merger consideration, to be received in the merger pursuant to the terms of the merger agreement. You will be required to submit your certificates before you will receive your merger consideration. If a certificate for Polonia common stock has been lost, stolen or destroyed, the exchange agent will issue the consideration properly payable under the merger agreement upon receipt of an affidavit as to that loss, theft or destruction, appropriate evidence as to the ownership of that certificate by the claimant, and appropriate and customary indemnification. Computershare, Inc., Prudential’s transfer agent and registrar, will be the exchange agent in the merger and will receive forms of election, exchange certificates for the merger consideration and perform other duties as explained in the merger agreement.

### **Withholding**

Each of Prudential and the exchange agent will be entitled to deduct and withhold from the consideration payable to any Polonia shareholder such amounts as it is required to deduct and withhold under any federal, state, local or foreign tax law. If either of them withholds any such amounts, these amounts will be treated for all purposes of the merger as having been paid to the shareholders from whom they were withheld.

### **Dissenters’ Rights**

The shares of Polonia stock that are held by a Polonia shareholder who has perfected his or her right to dissent under applicable law will not be converted into, nor represent a right to receive, the merger consideration. Instead, such dissenting shareholder will be entitled to the rights granted by the MGCL. If any dissenting Polonia shareholder withdraws or loses his or her rights under the MGCL, the shares of Polonia common stock held by such shareholder will be converted into the right to receive the merger consideration in accordance with the merger agreement.

### **Dividends and Distributions**

Until Polonia common stock certificates are surrendered for exchange, any dividends or other distributions declared after the effective time of the merger with respect to Prudential common stock into which shares of Polonia common stock may have been converted will accrue but will not be paid. Prudential will pay to former Polonia shareholders any unpaid dividends or other distributions, without interest, only after they have surrendered their Polonia stock certificates.

Pursuant to the merger agreement, prior to the effective time of the merger, Polonia and its subsidiaries may not declare or pay any dividend or distribution on its capital stock.

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**Representations and Warranties**

The merger agreement contains customary representations and warranties of Polonia and Prudential relating to their respective businesses. The representations must be true and correct in accordance with the materiality standards set forth in the merger agreement, as of the date of the merger agreement and at the effective date of the merger as though made at and as of such time (except that representations and warranties that by their terms speak as of the date of the merger agreement or some other date must be true and correct as of such date). The representations and warranties in the merger agreement do not survive the effective time of the merger.

Each of Prudential and Polonia has made representations and warranties to the other regarding, among other things:

- corporate matters, including due organization and qualification;
- capitalization;
- authority relative to execution and delivery of the merger agreement and the absence of breach or violations of organizational documents or other obligations as a result of the merger;
- required governmental filings and consents;
- the timely filing of reports with governmental entities, and the absence of investigations by regulatory agencies;
- financial statements and the absence of undisclosed liabilities;
- tax matters;
- the absence of circumstances and events reasonably likely to have a material adverse effect on the business of Polonia and Prudential;
- ownership of property;
- insurance coverage;

- legal proceedings;
  
- compliance with applicable law;
  
- employee matters, including employee benefit plans;
  
- brokers, finders and financial advisors;
  
- environmental matters;
  
- loan related matters;
  
- availability of corporate documents;
  
- related party transactions;
  
- the vote required to approve the merger;
  
- information supplied; and
  
- investment securities and commodities.

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Polonia has also made additional representations and warranties to Prudential regarding deposits, material contracts, real estate leases, bank regulatory reports, receipt of its financial advisor's fairness opinion, intellectual property and other certain types of contracts, risk management instruments and absence of fiduciary or trust accounts.

Prudential also has made representations and warranties to Polonia regarding its common stock.

The representations and warranties described above and included in the merger agreement were made by Prudential and Polonia to each other. These representations and warranties were made as of specific dates, may be subject to important qualifications and limitations agreed to by Prudential and Polonia in connection with negotiating the terms of the merger agreement (including by reference to information contained in disclosure schedules delivered by the parties under the merger agreement), and may have been included in the merger agreement for the purpose of allocating risk between Prudential and Polonia rather than to establish matters as facts. Accordingly, the representations and warranties and other provisions of the merger agreement should not be read alone, but instead should be read only in conjunction with the information provided elsewhere in this proxy statement/prospectus and in the documents incorporated by reference into this proxy statement/prospectus.

## **Covenants and Agreements**

Each of Polonia and Prudential has undertaken customary covenants that place restrictions on it and its subsidiaries until the effective time of the merger. In general, each of Prudential and Polonia has agreed to operate its respective business in the usual, regular and ordinary course of business, use commercially reasonable efforts to preserve intact its business organization and assets and maintain its rights and franchises, and voluntarily take no action that would materially and adversely affect the ability to obtain any regulatory approvals required for the merger or materially affect its ability to perform its covenants under the merger agreement.

In addition, Polonia has agreed that, with certain exceptions and except with Prudential's prior written consent (which, with certain exceptions, is not to be unreasonably withheld, conditioned or delayed), that Polonia will not, and will not permit any of its subsidiaries to, among other things, undertake the following extraordinary actions:

- change or waive any provision of its articles of incorporation, charter or bylaws, except as required by law, or appoint a new director to the board of directors;
- change the number of authorized or issued shares of its capital stock, issue any shares of Polonia common stock, including any shares that are held as treasury stock as of the date of the merger agreement, or issue or grant any right or agreement of any character relating to its authorized or issued capital stock or any securities convertible into shares

of such stock, make any grant or award under the Polonia stock benefit plans, or split, combine or reclassify any shares of capital stock, or declare, set aside or pay any dividend or other distribution in respect of capital stock or redeem, repurchase or otherwise acquire any shares of capital stock, except that Polonia may issue, redeem or repurchase shares of Polonia common stock in connection with the valid exercise or in connection with the vesting of restricted stock awards, in accordance with the information set forth in the disclosure schedules to the merger agreement, of presently outstanding Polonia options and restricted stock awards issued under the Polonia stock benefit plans;

enter into, amend, extend (including not allowing agreements to extend which under their terms are extended unless board action is taken not to allow such extension) or terminate any contract or agreement (including without limitation any settlement agreement with respect to litigation) except in the ordinary course of business;

make application for the opening, relocation or closing of any, or open or close any, branch or automated banking facility;

grant or agree to pay any bonus, severance or termination to, or enter into, renew, amend or extend any employment agreement, severance agreement and/or supplemental executive agreement with, or increase in any manner the compensation or fringe benefits of, any of its directors, officers or

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employees, except (a) as may be required pursuant to commitments existing on the date hereof and set forth on the disclosure schedules of the merger agreement, and (b) pay increases in the ordinary course of business consistent with past practices to non-executive officers and employees provided such increases shall not exceed 2% (on an annualized basis) with respect to any individual. Except as set forth in disclosure schedules of the merger agreement, neither Polonia nor any Polonia subsidiary shall hire or promote any employee to an officer position, promote an existing officer to a more senior position, or hire any new employee at an annual rate of compensation in excess of \$45,000; provided that Polonia or a Polonia subsidiary may hire at-will, non-officer employees to fill vacancies that existed as of the date of the merger agreement or which may from time to time arise in the ordinary course of business as long as the total number of full-time Polonia employees does not exceed the number as of the date of the merger agreement;

enter into or, except as may be required by law, modify any pension, retirement, stock option, stock purchase, restricted stock, stock appreciation right, stock grant, savings, profit sharing, deferred compensation, supplemental retirement, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan or arrangement, or any trust agreement related thereto, in respect of any of its directors, officers or employees; or make any contributions to any defined contribution plan not in the ordinary course of business consistent with past practice;

merge or consolidate Polonia or any Polonia subsidiary with any other corporation; sell or lease all or any substantial portion of the assets or business of Polonia or any Polonia subsidiary; make any acquisition of all or any substantial portion of the business or assets of any other person, firm, association, corporation or business organization other than in connection with foreclosures, settlements in lieu of foreclosure, troubled loan or debt restructuring, or the collection of any loan or credit arrangement between Polonia, or any Polonia subsidiary, and any other person; enter into a purchase and assumption transaction with respect to deposits and liabilities; voluntarily revoke or surrender by any Polonia subsidiary of its approval to maintain, or file an application for the relocation of, any existing branch office, or file an application for approval to establish a new branch office;

sell or otherwise dispose of any asset of Polonia or of any Polonia subsidiary other than in the ordinary course of business consistent with past practice; except for transactions with the Federal Home Loan Bank of Pittsburgh, subject any asset of Polonia or of any Polonia subsidiary to a lien, pledge, security interest or other encumbrance (other than in connection with deposits, repurchase agreements, bankers acceptances, "treasury tax and loan" accounts established in the ordinary course of business and transactions in "federal funds" and the satisfaction of legal requirements in the exercise of trust powers); except as may be permitted pursuant the merger agreement, incur liability of any nature, including any indebtedness for borrowed money (or guarantee any indebtedness for borrowed money);

voluntarily take any action which would result in any of the representations and warranties of Polonia set forth in the merger agreement becoming untrue or in any of the conditions set forth in the merger agreement not being satisfied, except in each case as may be required by applicable law;

change any method, practice or principle of accounting, except as may be required from time to time by generally accepted accounting principles (without regard to any optional early adoption date), any bank regulator responsible for regulating Polonia, or Polonia's independent accounting firm;

except as set forth in the disclosure schedules, waive, release, grant or transfer any rights of value or modify or change any existing agreement or indebtedness to which Polonia or any Polonia subsidiary is a party;

purchase any equity securities (other than additional shares of common stock of the Federal Home Loan Bank of Pittsburgh as may be required), or purchase any debt securities other than (a) debt securities issued by U.S. Government Agencies or direct obligations of the U.S. Treasury with final maturities not to exceed three years and a par of \$1.0 million per security, and (b) any U.S. government fixed-rate mortgage-backed security with a weighted average maturity not to exceed four years that



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passes all applicable regulatory stress tests at the time of purchase, not to exceed \$2.0 million in any one security;

except as permitted under the merger agreement, issue or sell any equity or debt securities;

except for commitments issued prior to the date of the merger agreement which have not yet expired and which have been disclosed on the disclosure schedules of the merger agreement, and the renewal of existing lines of credit, make any new loan or other credit facility commitment (including without limitation, lines of credit and letters of credit) without Prudential prior approval (i) to an existing credit relationship as of the date the merger agreement, in an amount in excess of \$1.0 million for a commercial real estate loan and in excess of \$100,000 for a commercial business loan; (ii) to a new credit relationship, in an amount in excess of \$1.0 million a commercial real estate loan or \$50,000 for a commercial business loan or (iii) in excess of \$500,000 for a residential loan. In addition, the prior approval of Prudential is required with respect to the following: (a) any overdraft to commercial clients in excess of \$35,000; (b) the granting of any new loans to directors, officers or employees or modifications to existing loans thereto except to the extent contractually required by the terms of the loans thereto and (c) any new credit or loan to an existing relationship that is rated "special mention," "substandard," or some lesser classification. With respect to any loan that requires Prudential prior approval, Prudential shall have three business days to act on such request from date the request is submitted by Polonia together with all relevant documentation for Prudential review, provided that Polonia shall first have approved such loan or credit;

except as set forth in the disclosure schedules to the merger agreement, enter into, renew, extend or modify any other transaction (other than a deposit transaction) with any affiliate;

enter into any futures contract, option, interest rate caps, interest rate floors, interest rate swaps, interest rate exchange agreement or other agreement or take any other action for purposes of hedging the exposure of its interest-earning assets and interest-bearing liabilities to changes in market rates of interest;

borrow any new amounts from the Federal Home Loan Bank of Pittsburgh, other than overnight borrowings or borrowings with bullet maturities of not more than one year;

make any change in policies in existence on the date of the merger agreement with regard to: the extension of credit, or the establishment of reserves with respect to the possible loss thereon or the charge off of losses incurred thereon; investments; asset/liability management; deposit pricing or gathering; or other banking policies except as may be required by changes in applicable law or regulations or generally accepted accounting principles, by a bank regulator;

enter into any new line of business;

except for the execution of the merger agreement, and the transactions contemplated therein, take any action that would give rise to an acceleration of the right to payment to any individual under any employment agreement, stock option plan or employee benefit plan;

make any capital expenditures in excess of \$25,000 individually or \$50,000 in the aggregate, other than pursuant to binding commitments existing on the date hereof and other than expenditures necessary to maintain existing assets in good repair;

make any material change in Polonia's interest rate or fee pricing policies or practices with respect to depository accounts of Polonia Bank from those policies and practices in place as of the date of the merger agreement;

incur any discretionary expense in excess of \$25,000 individually that is not otherwise addressed in the negative covenants Polonia agreed to in the merger agreement;

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issue any certificates of deposit with a maturity longer than 24 months other than pursuant to renewals of existing certificates of deposit;

undertake, enter into or renew (including by automatic renewal) any lease, contract or other commitment for its account, other than in the normal course of providing credit to customers as part of its banking business, involving a payment by Polonia or Polonia of more than \$25,000 annually, or containing any financial commitment extending beyond 12 months from the date of the merger agreement;

pay, discharge, settle, modify or compromise any claim, loan, action, litigation, arbitration or proceeding, other than any such payment, discharge, settlement, modification or compromise in the ordinary course of business consistent with past practice that involves solely money damages in the amount not in excess of \$25,000 individually or \$50,000 in the aggregate, and that does not create negative precedent for other pending or potential claims, actions, litigation, arbitration or proceedings;

institute any new litigation or other legal or regulatory proceedings (excluding loan foreclosure or collection actions);

foreclose upon or take a deed or title to any (a) commercial real estate, or (b) residential real estate on which, in the case of either clause (a) or (b), the presence of materials of environmental concern could be reasonably expected based on Polonia's knowledge, without first conducting a Phase I of the property and confirming that such Phase I does not indicate the presence of a materials of environmental concern;

purchase or sell, other than in the ordinary course of business consistent with past practice, any mortgage loan servicing rights;

issue any broadly distributed communication of a general nature to employees (including general communications relating to benefits and compensation, post-closing employment, benefit or compensation information) without prior consultation with and without the prior consent of Prudential (which shall not be unreasonably withheld, conditioned or delayed) or issue any broadly distributed communication of a general nature to customers without the prior approval of Prudential (which shall not be unreasonably withheld, conditioned or delayed), except as required by law or for communications in the ordinary course of business consistent with past practice that do not relate to the merger or other transactions contemplated thereby;

amend, modify or waive any non-competition, non-solicitation, no-piracy, or confidentiality agreement, or any other such restrictive agreement; or

agree to do any of the foregoing.

Polonia and its subsidiaries also agreed to take all steps required by any relevant federal or state law or regulation or under any relevant agreement or other document to exempt or continue to exempt Prudential, Prudential Bank, the

merger, the merger agreement and the transactions contemplated by the merger agreement from any provisions of an anti-takeover nature contained in Polonia's or its subsidiaries' organizational documents, and the provisions of any applicable federal or state anti-takeover laws and regulations.

Each of Prudential and Polonia has agreed to additional covenants which include, among other things, commitments to provide certain financial and regulatory information upon request and maintain insurance in reasonable amounts.

Prudential has further agreed that Prudential will:

take all reasonable action so that Polonia employees continuing after the merger are entitled to participate in the Prudential compensation and benefit plans to the same extent as similarly situated employees of Prudential, as further detailed in the merger agreement;

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for determining eligibility and vesting for certain Prudential employee benefit plans (and not for benefit accrual purposes except with respect to vacation, leave policies or programs and for calculating severance benefits), provide credit for meeting eligibility and vesting requirements in such plans for service as an employee of Polonia or any predecessor of Polonia;

honor the terms of all Polonia compensation and benefit plans set forth in the disclosure schedules of the merger agreement;

in the event of terminating the health plans of Polonia, Prudential shall make available to continuing employees and their dependents health plans of Prudential on the same basis it provides coverage to Prudential employees, as further detailed in the merger agreement;

establish a retention bonus pool for employees of Polonia who are selected by Polonia and approved by Prudential and who remain employed through the date of the data processing systems conversion or such other date mutually agreed to by Polonia and Prudential, provided that the aggregate amount of such retention bonuses shall not exceed \$50,000;

to indemnify, defend and hold harmless all current and former officers and directors of Polonia against all claims that arise out of the fact that such person is or was a director or officer of Polonia or its subsidiaries and that relate to any matter of fact existing at or prior to the merger, to the fullest extent as would have been permitted by Polonia under Maryland law and under Polonia's articles of incorporation and bylaws;

in certain circumstances, make proper provision so that successors and assigns of Prudential shall assume the obligations set forth in these covenants;

maintain, for six years following the merger, Polonia's current directors' and officers' liability insurance policies covering the officers and directors of Polonia with respect to matters occurring at or prior to the merger, except that Prudential may substitute similar policies, and that Prudential is not required spend more than 150% of the annual cost currently expended by Polonia in order to obtain this insurance or, if Prudential determines to substitute "tail" policies with similar terms for Polonia's existing insurance policies, it is not required to spend more than 250% of the annual cost currently expended by Polonia with respect to such insurance;

obtain approval for listing of the shares of its common stock on NASDAQ; and

reserve a sufficient number of shares of its common stock and maintain sufficient liquid accounts or borrowing capacity to fulfill its obligations in connection with the merger.

The merger agreement also contains mutual covenants relating to the preparation of this proxy statement/prospectus, the regulatory applications and the holding of the special meeting of Polonia shareholders, respectively, access to

information of Polonia and public announcements with respect to the transactions contemplated by the merger agreement. Polonia also agreed to use commercially reasonable efforts to take all actions needed to obtain necessary governmental and third-party consents and to consummate the transactions contemplated by the merger agreement and to not take any action that would or could reasonably be expected to disqualify the merger as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

### **Shareholder Meeting**

Polonia has agreed to hold a meeting of its shareholders as soon as is promptly practicable after the SEC has declared the merger registration statement, of which this proxy statement/prospectus is a part, effective. Polonia's board of directors has agreed to recommend that its shareholders vote in favor of the approval and adoption of the merger agreement.

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**Agreement Not to Solicit Other Offers**

Polonia has agreed that it, its subsidiaries and their respective officers, directors, employees, investment bankers, financial advisors, attorneys, accountants, consultants, affiliates or other agents will not, directly or indirectly, (a) initiate, solicit, induce or knowingly encourage, or take any action to facilitate the making of, any inquiry, offer or proposal which constitutes, or could reasonably be expected to lead to, an “acquisition proposal” as defined in the merger agreement; (b) participate in any discussions or negotiations regarding any acquisition proposal or furnish, or otherwise afford access, to any person (other than Prudential) any information or data with respect to Polonia or any of its subsidiaries or otherwise relating to an acquisition proposal; (c) release any person from, waive any provisions of, or fail to enforce any confidentiality agreement or standstill agreement to which Polonia is a party; or (d) enter into any agreement, agreement in principle or letter of intent with respect to any acquisition proposal or approve or resolve to approve any acquisition proposal or any agreement, agreement in principle or letter of intent relating to an acquisition proposal. Any violation of the foregoing restrictions by Polonia or any Polonia representative, whether or not such representative is so authorized and whether or not such representative is purporting to act on behalf of Polonia or otherwise, shall be deemed to be a breach of the merger agreement by Polonia. The merger agreement required Polonia and its subsidiaries to, and to cause each of Polonia representatives to, immediately cease and cause to be terminated any and all existing discussions, negotiations, and communications with any persons with respect to any existing or potential acquisition proposal.

In the merger agreement:

“acquisition proposal” means any inquiry, offer or proposal (other than an inquiry, offer or proposal from Prudential), whether or not in writing, contemplating, relating to, or that could reasonably be expected to lead to, an “acquisition transaction.”

“acquisition transaction” means (a) any transaction or series of transactions involving any merger, consolidation, recapitalization, share exchange, liquidation, dissolution or similar transaction involving Polonia or any of its subsidiaries; (b) any transaction pursuant to which any third party or group acquires or would acquire (whether through sale, lease or other disposition), directly or indirectly, any assets of Polonia or any of its subsidiaries representing, in the aggregate, 25% or more of the assets of Polonia and its subsidiaries on a consolidated basis; (c) any issuance, sale or other disposition of (including by way of merger, consolidation, share exchange or any similar transaction) securities (or options, rights or warrants to purchase or securities convertible into, such securities) representing 25% or more of the votes attached to the outstanding securities of Polonia or any of its subsidiaries; (d) any tender offer or exchange offer that, if consummated, would result in any third party or group beneficially owning 25% or more of any class of equity securities of Polonia or any of its subsidiaries; or (e) any transaction which is similar in form, substance or purpose to any of the foregoing transactions, or any combination of the foregoing.

Polonia may, however, participate in discussions with, and may furnish information to, a third party in connection with a bona fide unsolicited acquisition proposal if, and only if:

Polonia has received a bona fide unsolicited written acquisition proposal that did not result from a breach of the merger agreement;

the board of directors of Polonia determines in good faith, after consultation with and having considered the advice of its outside legal counsel and its independent financial advisor, that such acquisition proposal constitutes a “superior proposal;”

prior to furnishing or affording access to any information or data with respect to Polonia or any of its subsidiaries or otherwise relating to an acquisition proposal, Polonia receives from such person a confidentiality agreement with terms no less favorable to Polonia than those contained in the confidentiality agreements between Polonia and Prudential; and

the board of directors of Polonia determines in good faith, after consultation with and having considered the advice of its outside legal counsel, that the failure to take any such actions would be reasonably likely to violate its fiduciary duties under applicable laws.



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Polonia has also agreed to promptly provide to Prudential any non-public information about Polonia that it provides to the third party making the proposal, to the extent such information was not previously provided to Prudential.

In the merger agreement:

“superior proposal” shall mean any unsolicited bona fide written proposal (on its most recently amended or modified terms, if amended or modified made by a third party to enter into an acquisition transaction on terms that the board of directors of Polonia reasonably determines in its good faith judgment, after consultation with and having considered the advice of outside legal counsel and its financial advisor, (a) would, if consummated, result in the acquisition of all, but not less than all, of the issued and outstanding shares of Polonia common stock or all, or substantially all, of the assets of Polonia and its subsidiaries on a consolidated basis; (b) would result in a transaction that (i) involves consideration to the holders of the shares of Polonia common stock that is more favorable than the merger consideration to be paid to Polonia’s shareholders pursuant to the merger agreement, considering, among other things, the nature of the consideration being offered, any regulatory approvals or other risks associated with the timing of the proposed transaction in addition to those specifically contemplated by the merger agreement, and which proposal is not conditioned upon obtaining additional financing and (ii) is, in light of the other terms of such proposal, more favorable to Polonia than the merger and the transactions contemplated by the merger agreement; and (c) is reasonably likely to be completed on the terms proposed, in each case taking into account all legal, financial, regulatory and other aspects of the proposal.

In addition, Polonia has agreed that it will not:

withdraw, qualify or modify in a manner adverse to Prudential, its recommendation to its shareholders to approve the merger agreement, except to the extent otherwise permitted and described below; or

approve or recommend, or publicly propose to approve or recommend, any acquisition proposal other than with respect to the Prudential merger.

Up until the time of the Polonia shareholder meeting, however, Polonia may withdraw, qualify or modify its recommendation to Polonia shareholders to approve the merger agreement, or take any of the other actions listed above in this paragraph with respect to another acquisition proposal if, but only if:

the Polonia board of directors has reasonably determined in good faith, after consultation with and having considered the advice of its outside legal counsel and financial advisor that the failure to take such actions would be reasonably likely to result in a violation of the board’s fiduciary duties to Polonia’s shareholders under applicable law;

it has provided at least three business days' prior notice to Prudential of its intention to take such action and a reasonable description of the event or circumstances giving rise to its determination to take such action (including, in the event such action is taken by the board of directors of Polonia in response to an acquisition proposal, the latest material terms and conditions of, and the identity of the third party making, any such acquisition proposal, or any amendment or modification thereof, or describe in reasonable detail such other event or circumstances); and

after taking into account any adjusted, modified or amended terms as may have been committed to by Prudential in writing, the Polonia board of directors has again in good faith determined that it would nevertheless be reasonably likely to result in a violation of the board of directors' fiduciary duties under applicable law to continue to recommend the merger agreement.

### **Expenses and Fees**

In general, each of Prudential and Polonia will be responsible for all expenses incurred by it in connection with the negotiation and completion of the transactions contemplated by the merger agreement, including the costs of printing and mailing the proxy statement/prospectus for Polonia's special meeting.

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**Indemnification and Insurance**

The merger agreement requires Prudential to indemnify Polonia's and its subsidiaries' current and former directors, officers and employees to the fullest extent as would have been permitted under applicable law and the Polonia articles of incorporation or the Polonia bylaws or similar governing documents. The merger agreement provides that in the event of any threatened or actual claim, action, suit, proceeding or investigation in which any person who is or has been a director or officer of Polonia or is threatened to be made party based in whole or in part on, or arising in whole or in part out of the fact that he or she is or was a director or officer of Polonia or any of its subsidiaries or predecessors and pertaining to any matter of fact arising, existing or occurring at or before the effective time of the merger (including the merger and the merger agreement), Prudential will defend against and respond thereto.

Prudential has agreed to indemnify and hold harmless each such indemnified party against any losses, claims, damages, liabilities, costs, expenses (including reasonable attorney's fees), judgments, and amounts paid in settlement in connection with any such threatened or actual claim, action, suit proceeding or investigation. The merger agreement also requires that Prudential provide advancement of expenses to, all past and present officers, directors and employees of Polonia and its subsidiaries in their capacities as such against all such losses, claims, damages, costs, expenses, liabilities, judgments or amounts paid in settlement to the fullest extent permitted by MGCL and Polonia's articles of incorporation and bylaws.

The merger agreement provides that Prudential will maintain for a period of six years after completion of the merger Polonia's current directors' and officers' liability insurance policies, or policies of at least the same coverage and amount and containing terms and conditions that are not less advantageous than the current policy, with respect to acts or omissions occurring prior to the effective time of the merger, except that Prudential is not required to incur an annual premium expense greater than 150% of Polonia's current annual directors' and officers' liability insurance premium or, if Prudential determines to substitute "tail" policies with similar terms for Polonia's existing insurance policies, it is not required to spend more than 250% of the annual cost currently expended by Polonia with respect to such insurance.

**Conditions to Complete the Merger**

Completion of the merger is subject to the fulfillment of certain conditions, none of which may be waived, including:

·the approval and adoption of the merger agreement by Polonia's shareholders;

·the absence of any law, statute, regulation, judgment, decree, injunction or other order in effect by any court or other governmental entity that prohibits completion of the transactions contemplated by the merger agreement;

the receipt and effectiveness of all required governmental and other approvals, authorizations and consents on terms and conditions that would not have a material adverse effect on Prudential or Polonia, and the expiration of all related waiting periods required to complete the merger;

the effectiveness of the registration statement of which this proxy statement/prospectus is a part with respect to the Prudential common stock to be issued in the merger and the absence of any stop order or proceedings initiated or threatened by the SEC for that purpose;

the approval for listing on NASDAQ of the shares of Prudential common stock issuable in the merger; and

the receipt by each of Prudential and Polonia of a legal opinion with respect to certain United States federal income tax consequences of the merger.

Each of Prudential's and Polonia's obligations to complete the merger is also separately subject to the satisfaction or waiver of a number of conditions including:

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·the absence of a material adverse effect on the other party;

the truth and correctness of the representations and warranties of each other party in the merger agreement, subject generally to the materiality standard provided in the merger agreement, and the performance by each other party in all material respects of their obligations under the merger agreement and the receipt by each party of certificates from the other party to that effect;

·performance of all obligations in all material respects;

obtaining all material permits, authorizations, consents, waivers, clearances or approvals required for the lawful consummation of the merger;

holders of no more than fifteen percent (15%) of the issued and outstanding shares of Polonia shall have exercised their statutory appraisal or dissenters' right pursuant to the merger agreement prior to the merger; and

·Prudential having delivered the merger consideration to the exchange agent.

Prudential and Polonia cannot provide assurance as to when or if all of the conditions to the merger can or will be satisfied or waived by the appropriate party. As of the date of this proxy statement/prospectus, Prudential and Polonia have no reason to believe that any of these conditions will not be satisfied.

**Termination of the Merger Agreement**

The merger agreement can be terminated at any time prior to completion by mutual consent or by either party in the following circumstances:

·if there is a breach by the other party that would cause the failure of the closing conditions, unless the breach is capable of being, and is, cured within 30 days of notice of the breach and the terminating party is not itself in material breach;

·if the merger has not been completed by February 28, 2017, unless the failure to complete the merger by that date was due to the terminating party's action or inaction;

·if the shareholders of Polonia fail to adopt the merger agreement at its special meeting;

·if any of the required regulatory approvals are denied (and the denial is final and non-appealable); or

·if any court of competent jurisdiction or governmental authority issues an order, decree, ruling or takes any other action restraining, enjoining or otherwise prohibiting the merger (and such order, decree, ruling or action is final and non-appealable).

In addition, Prudential's board of directors may terminate the merger agreement if the Polonia board of directors receives a superior proposal and enters into a letter of intent, agreement in principle or an acquisition agreement with respect to such proposal, withdraws its recommendation of the merger agreement, fails to make such a recommendation or modifies or qualifies its recommendation, in a manner adverse to Prudential, or has otherwise made a determination to accept such proposal.

Further, Polonia's board of directors may terminate the merger agreement if Polonia has received a superior proposal and has made a determination to accept such proposal.

Polonia may also terminate the merger agreement at any time during the three-day period following the tenth calendar day immediately prior to the effective time of the merger, or if such calendar day is not a trading day on the Nasdaq Stock Market, the trading day immediately preceding such calendar day (the "determination date"), if Polonia's board determines that each of the following have occurred:

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the average of the daily closing sale prices of a share of Prudential common stock as reported on Nasdaq for the 20 consecutive trading days immediately preceding the determination date is less than \$11.89; and

the decrease in the price of Prudential common stock is 20% greater than the decrease in the NASDAQ Bank Index during the same period.

However, if Polonia chooses to exercise this termination right, Prudential has the option, within five business days of receipt of notice from Polonia, to adjust the merger consideration and prevent termination under this provision.

If the merger agreement is terminated, it will become void, and there will be no liability on the part of Prudential or Polonia, except that both Prudential and Polonia will remain liable for any willful breach of the merger agreement and designated provisions of the merger agreement, including the payment of fees and expenses, and the confidential treatment of information and publicity restrictions, will survive the termination.

## **Termination Fee**

Polonia will pay Prudential a termination fee of \$1,515,000 and reimburse Prudential for all of Prudential's fees and expenses incurred in connection with the merger, including attorney, accountant and financial advisor fees, in the event that the merger agreement is terminated:

by Prudential because Polonia has received a superior proposal and Polonia entered into an acquisition agreement with respect to the superior proposal, terminated the merger agreement, or withdrew the Polonia recommendation to its shareholders, failed to make the Polonia recommendation or modified or qualified the Polonia recommendation in a manner adverse to Prudential;

by Polonia because Polonia received and made a determination to accept a superior proposal; or

where Polonia enters into a definitive agreement relating to an acquisition proposal or the consummation of an acquisition proposal involving Polonia within twelve (12) months after the occurrence of any of the following: (a) the termination of the merger agreement by Prudential pursuant to a willful material breach of a representation, warranty, covenant or other agreement by Polonia, or (b) the failure of the shareholders of Polonia to approve the merger agreement after the public disclosure or public awareness of an acquisition proposal.

## **Amendment, Waiver and Extension of the Merger Agreement**

Subject to applicable law, the parties may amend the merger agreement by written agreement between Polonia and Prudential executed in the same manner as the merger agreement.

At any time prior to the completion of the merger, each of the parties, by action taken or authorized by their respective board of directors, to the extent legally allowed, may:

- extend the time for the performance of any of the obligations or other acts of the other party;
- waive any inaccuracies in the representations and warranties of the other party; or
- waive compliance by the other party with any of the other agreements or conditions contained in the merger agreement.

However, after any approval of merger agreement by the shareholders of Polonia, there may not be, without further approval of such shareholders, any amendment which reduces the amount or value or changes the form of consideration to be delivered to Polonia shareholders.



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**ACCOUNTING TREATMENT**

The merger will be accounted for as a “business combination,” as that term is used under generally accepted accounting principles, for accounting and financial reporting purposes, with Prudential treated as the acquiror. Under the acquisition method of accounting, the assets (including identifiable intangible assets) and liabilities (including executory contracts and other commitments) of Polonia as of the effective time of the merger will be recorded at their respective fair values and added to those of Prudential. Any excess of purchase price over the fair values of net identifiable, tangible and intangible assets and liabilities is recorded as goodwill. Consolidated financial statements of Prudential issued after the merger would reflect these fair values and would not be restated retroactively to reflect the historical financial position or results of operations of Polonia.

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**MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER**

The following summary describes generally the material U.S. federal income tax consequences of the merger to “U.S. holders” (as defined below) of Polonia common stock that exchange their shares of Polonia common stock for the merger consideration in the merger. The following discussion is based upon the Internal Revenue Code, the U.S. Treasury regulations promulgated thereunder and judicial and administrative authorities, rulings, and decisions, all as in effect on the date of this proxy statement/prospectus. These authorities may change, possibly with retroactive effect, and any such change could affect the accuracy of the statements and conclusions set forth in this discussion. This discussion does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction, or under any U.S. federal laws other than those pertaining to the income tax.

The following discussion applies only to U.S. holders of shares of Polonia common stock who hold such shares as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). Further, this discussion does not purport to consider all aspects of U.S. federal income taxation that might be relevant to U.S. holders in light of their particular circumstances and does not apply to U.S. holders subject to special treatment under the U.S. federal income tax laws (such as, for example, dealers or brokers in securities, commodities or foreign currencies, traders in securities that elect to apply a mark-to-market method of accounting, banks and other financial institutions, insurance companies, mutual funds, tax-exempt organizations, holders subject to the alternative minimum tax provisions of the Internal Revenue Code, partnerships, S corporations or other pass-through entities or investors in pass-through entities, regulated investment companies, real estate investment trusts, controlled foreign corporations, passive foreign investment companies, former citizens or residents of the United States, holders whose functional currency is not the U.S. dollar, holders who hold shares of Polonia common stock as part of a hedge, straddle, constructive sale or conversion transaction or other integrated investment, holders who exercise appraisal rights, holders who actually or constructively own more than 5% of Polonia common stock, retirement plans and individual retirement accounts, and holders who acquired their shares of Polonia common stock through the exercise of a stock option, through a tax-qualified retirement plan or otherwise as compensation).

For purposes of this discussion, the term “U.S. holder” means a beneficial owner of Polonia common stock that is for U.S. federal income tax purposes (1) an individual citizen or resident of the United States, (2) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any state thereof or the District of Columbia, (3) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) such trust has made a valid election to be treated as a U.S. person for U.S. federal income tax purposes, or (4) an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source.

If an entity or an arrangement treated as a partnership for U.S. federal income tax purposes holds Polonia common stock, the tax treatment of a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Any entity treated as a partnership for U.S. federal income tax purposes that holds Polonia common stock, and any partners in such partnership, should consult their own tax advisors about the tax

consequences of the merger to them.

**Determining the actual tax consequences of the merger to you may be complex and will depend on your specific situation and on factors that are not within Prudential's and Polonia's control. You should consult with your own tax advisor as to the specific tax consequences of the merger in your particular circumstances, including the applicability and effect of the alternative minimum tax and any state, local, foreign and other tax laws and of changes in those laws.**

### **Tax Consequences of the Merger Generally**

In connection with the filing with the SEC of the registration statement on Form S-4 of which this proxy statement/prospectus is a part, Silver, Freedman, Taff & Tiernan LLP, tax counsel to Prudential, has rendered its tax opinion to Prudential and Kilpatrick Townsend, tax counsel to Polonia, has rendered its tax opinion to Polonia addressing the U.S. federal income tax consequences of the merger as described below. In rendering their respective tax opinions, each counsel relied upon representations and covenants, including those contained in certificates of officers of Prudential and Polonia, reasonably satisfactory in form and substance to each such counsel. If any of the representations or assumptions upon which the opinions are based are inconsistent with the actual facts, the U.S.

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federal income tax consequences of the merger could be adversely affected. Copies of the tax opinions are attached as Exhibits 8.1 and 8.2 to the Registration Statement on Form S-4.

The parties intend for the merger to qualify as a “reorganization” for U.S. federal income tax purposes. It is a condition to the obligations of each of Prudential and Polonia that they receive an opinion from Silver, Freedman, Taff & Tiernan LLP and Kilpatrick Townsend, respectively, with each such opinion to be dated and based on the facts and law existing as of the closing date of the merger, to the effect that the merger will qualify as a “reorganization” within the meaning of Section 368(a) of the Internal Revenue Code. Neither Prudential nor Polonia currently intends to waive this opinion condition to its obligation to consummate the merger. If either Prudential or Polonia waives this opinion condition after this registration statement is declared effective by the SEC, and if the tax consequences of the merger to Polonia shareholders have materially changed, Prudential and Polonia will recirculate appropriate soliciting materials to resolicit the votes of Polonia shareholders. The closing opinions will be based on representation letters provided by Prudential and Polonia as of the closing date of the merger and on customary factual assumptions.

The opinions described above will not be binding on the Internal Revenue Service, which is referred to as the IRS, or any court. Prudential and Polonia have not sought and will not seek any ruling from the IRS regarding any matters relating to the merger, and as a result, there can be no assurance that the IRS will not assert, or that a court would not sustain, a position contrary to any of the conclusions set forth below. In addition, if any of the representations or assumptions upon which the opinions are based are inconsistent with the actual facts, the U.S. federal income tax consequences of the merger could be adversely affected.

The remainder of this discussion assumes that the merger will qualify as a “reorganization” within the meaning of Section 368(a) of the Code, in which case neither Prudential nor Polonia will recognize any gain or loss as a result of the merger and U.S. holders of Polonia common stock will have the following federal income tax consequences:

if you receive solely shares of Prudential common stock in the merger, upon exchanging your Polonia common stock for Prudential common stock, you generally will not recognize gain or loss, except with respect to cash received instead of a fractional share of Prudential common stock (as discussed below);

if you receive solely cash consideration in the merger, you will recognize gain or loss upon surrendering your Polonia common stock in an amount equal to the difference between the amount of cash that you receive and your aggregate adjusted tax basis in the shares of Polonia common stock that you surrender; and

if you receive both cash consideration (other than cash received instead of a fractional share of Prudential common stock) and stock consideration in the merger, (1) you will not recognize any loss upon surrendering your Polonia common stock, and (2) you will recognize gain upon surrendering your Polonia common stock equal to the lesser of (a) the excess, if any, of (i) the sum of the amount of cash that you receive plus the fair market value (determined as of the effective time of the merger) of the Prudential common stock that you receive over (ii) your aggregate adjusted

tax basis in the shares of Polonia common stock that you surrender, and (b) the amount of cash consideration that you receive.

Gain or loss described in the second bullet point above generally will be capital gain or loss and will be long-term capital gain or loss if, as of the effective time of the merger, the holding period for such shares exceeds one year. Long-term capital gains of individuals are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Any gain described in the third bullet point above will be capital gain unless your receipt of cash has the effect of a distribution of a dividend, in which case the gain will be treated as a dividend to the extent of your ratable share of Polonia's accumulated earnings and profits, as calculated for U.S. federal income tax purposes. For purposes of determining whether your receipt of cash has the effect of a distribution of a dividend, you will be treated as if you first exchanged all of your Polonia common stock solely in exchange for Prudential common stock and then Prudential immediately redeemed a portion of that stock for the cash that

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you actually received in the merger (referred to herein as the “deemed redemption”). Receipt of cash will generally not have the effect of a dividend to you if such receipt is “not essentially equivalent to a dividend” or “substantially disproportionate,” each within the meaning of Section 302(b) of the Internal Revenue Code. In order for the deemed redemption to be “not essentially equivalent to a dividend,” the deemed redemption must result in a “meaningful reduction” in the shareholder’s deemed percentage stock ownership of Prudential following the merger. The determination generally requires a comparison of the percentage of the outstanding stock of Prudential that you are considered to have owned immediately before the deemed redemption to the percentage of the outstanding stock of Prudential that you own immediately after the deemed redemption. The IRS has indicated in rulings that any reduction in the interest of a minority shareholder that owns a small number of shares in a publicly and widely held corporation and that exercises no control over corporate affairs would result in capital gain (as opposed to dividend) treatment. For purposes of applying the foregoing tests, a shareholder will be deemed to own the stock the shareholder actually owns and the stock the shareholder constructively owns under the attribution rules of Section 318 of the Internal Revenue Code. Under Section 318 of the Internal Revenue Code, a shareholder will be deemed to own the shares of stock owned by certain family members, by certain estates and trusts of which the shareholder is a beneficiary, and by certain affiliated entities, as well as shares of stock subject to an option actually or constructively owned by the shareholder or such other persons. If, after applying these tests, the deemed redemption results in a capital gain, the capital gain will be long-term if your holding period for your Polonia common stock is more than one year as of the date of the exchange. If, after applying these tests, the deemed redemption results in the gain recognized being classified as a dividend, such dividend will be treated as either ordinary income or qualified dividend income. Any gain treated as qualified dividend income will be taxable to you at the long-term capital gains rate, provided you held the shares giving rise to such income for more than 60 days during the 121-day period beginning 60 days before the effective time of the merger. The determination as to whether you will recognize a capital gain or dividend income as a result of your exchange of Polonia common stock for a combination of Prudential common stock and cash in the merger is complex and is determined on a shareholder-by-shareholder basis. Accordingly, we urge you to consult your own tax advisor with respect to any such determination that is applicable to your individual situation.

The aggregate tax basis of the Prudential common stock that you receive in the merger, including any fractional shares deemed received and redeemed for cash as described below, will equal your aggregate adjusted tax basis in the shares of Polonia common stock that you surrender in the merger, decreased by the amount of any cash consideration (other than cash received instead of a fractional share of Prudential common stock) received and increased by the amount of any gain recognized. Your holding period for the shares of Prudential common stock that you receive in the merger (including any fractional share deemed received and redeemed for cash as described below) will include your holding period for the shares of Polonia common stock that you surrender in the merger. If you acquired different blocks of Polonia common stock at different times or at different prices, gain or loss must be calculated separately for each identifiable block of shares of Polonia common stock surrendered in the merger, and a loss realized on one block of shares may not be used to offset a gain realized on another block of shares. Holders should consult their tax advisors regarding the manner in which cash and shares of Prudential common stock should be allocated among different blocks of their Polonia common stock surrendered in the merger. The basis and holding period of each block of Prudential common stock you receive will be determined on a block-for-block basis depending on the basis and holding period of the blocks of Polonia common stock exchanged for such block of Prudential common stock.

**Cash Instead of Fractional Shares**

If you receive cash instead of a fractional share of Prudential common stock, you will be treated as having received such fractional share of Prudential common stock pursuant to the merger and then as having received cash in exchange for such fractional share of Prudential common stock. As a result, you generally will recognize gain or loss equal to the difference between the amount of cash received instead of a fractional share and the basis in your fractional share of Prudential common stock as set forth above. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if, as of the effective time of the merger, the holding period for such fractional share (including the holding period of shares of Polonia common stock surrendered therefor) exceeds one year.

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**Net Investment Income Tax**

A holder that is an individual is subject to a 3.8% tax on the lesser of: (1) his or her “net investment income” for the relevant taxable year, or (2) the excess of his or her modified adjusted gross income for the taxable year over a certain threshold (between \$125,000 and \$250,000 depending on the individual’s U.S. federal income tax filing status). Estates and trusts are subject to similar rules. Net investment income generally would include any capital gain recognized in connection with the merger (including any gain treated as a dividend), as well as, among other items, other interest, dividends, capital gains and rental or royalty income received by such individual. Holders should consult their tax advisors as to the application of this additional tax to their circumstances.

**Possible Treatment of Merger as a Taxable Transaction**

The IRS may determine that the merger does not qualify as a nontaxable reorganization under Section 368(a) of the Internal Revenue Code. In that case, each Polonia shareholder would recognize a gain or loss equal to the difference between the (1) the sum of the fair market value of Prudential common stock and cash received by the Polonia shareholder in the merger, and (2) the Polonia shareholder’s adjusted tax basis in the shares of Polonia common stock exchanged therefor. The likely tax treatment of the merger will not be known until the effective time of the merger, as the aggregate value of the Prudential common stock to be received by Polonia shareholders will fluctuate with the market price of the Prudential common stock.

**Information Reporting and Backup Withholding**

If you are a non-corporate holder of Polonia common stock, you may be subject, under certain circumstances, to information reporting and backup withholding (currently at a rate of 28 percent) on any cash payments you receive. You generally will not be subject to backup withholding, however, if you:

furnish a correct taxpayer identification number, certify that you are not subject to backup withholding and otherwise comply with all the applicable requirements of the backup withholding rules; or

provide proof that you are otherwise exempt from backup withholding.

Any amounts withheld under the backup withholding rules are not an additional tax and will generally be allowed as a refund or credit against your U.S. federal income tax liability, provided you timely furnish the required information to the IRS.



### **Certain Reporting Requirements**

If a U.S. holder that receives Prudential common stock in the merger is considered a “significant holder,” such U.S. holder will be required (1) to file a statement with its U.S. federal income tax return providing certain facts pertinent to the merger, including such U.S. holder’s tax basis in, and the fair market value of, the Polonia common stock surrendered by such U.S. holder, and (2) to retain permanent records of these facts relating to the merger. A “significant holder” is any Polonia shareholder that, immediately before the merger, (a) owned at least 1% (by vote or value) of the outstanding stock of Polonia, or (b) owned Polonia securities with a tax basis of \$1.0 million or more.

**This discussion of material U.S. federal income tax consequences is for general information purposes only and is not tax advice. Holders of Polonia common stock are urged to consult their tax advisors with respect to the application of U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the U.S. federal estate or gift tax rules, or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.**

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**INFORMATION ABOUT Polonia BANCORP**

**General**

Polonia is a Maryland corporation that was incorporated in August 2011 to be the successor corporation to old Polonia, the former stock holding company for Polonia Bank, upon completion of the mutual-to-stock conversion of Polonia MHC, the former mutual holding company for Polonia Bank. Polonia does not engage in any business activities apart from the ownership of Polonia Bank's capital stock. Accordingly, the information set forth in this proxy statement/prospectus, including the consolidated financial statements and related financial data, relates primarily to Polonia Bank. As a savings and loan holding company, Polonia is subject to the regulation of the Board of Governors of the Federal Reserve System which we refer to as the FRB.

Polonia Bank operates as a community-oriented financial institution offering a variety of deposit products as well as providing residential real estate loans, and to a lesser degree, multi-family and nonresidential real estate loans, home equity loans and consumer loans primarily to individuals, families and small businesses located in Bucks, Philadelphia and Montgomery Counties, Pennsylvania. Polonia Bank operates from five full-service locations, including Polonia's main office in Huntingdon Valley, Pennsylvania and four branch offices in the city of Philadelphia. Polonia Bank's primary federal regulator is the OCC.

The FDIC, through the Deposit Insurance Fund, insures Polonia Bank's deposit accounts up to the applicable legal limits. Polonia Bank is a member of the Federal Home Loan Bank System.

Polonia Bank's website address is [www.poloniabank.com](http://www.poloniabank.com). Information on Polonia Bank's website should not be considered a part of this proxy statement/prospectus.

**Market Areas**

Polonia Bank is headquartered in Huntingdon Valley, Pennsylvania, which is located in the northwest suburban area of metropolitan Philadelphia and is situated between Montgomery and Bucks Counties. In addition to its main office in Montgomery County, Polonia Bank operates from four additional locations in Philadelphia County. Polonia Bank generates deposits through its five offices and conducts lending activities throughout the Greater Philadelphia metropolitan area, as well as in southeastern Pennsylvania and southern New Jersey. The Philadelphia metropolitan area is the fifth largest in the United States (based on United States Census data for 2010) with an estimated population of 6.0 million. The city of Philadelphia is the fifth most populous city in the United States and the largest

in population and area in the Commonwealth of Pennsylvania.

The Greater Philadelphia metropolitan area's economy is heavily based upon manufacturing, refining, food and financial services. The city is home to many Fortune 500 companies, including cable television and internet provider Comcast; insurance companies CIGNA and Lincoln Financial Group; energy company Sunoco; food services company Aramark; paper and packaging company Crown Holdings Incorporated; diversified producer Rohm and Haas Company; the pharmaceutical company Glaxo SmithKline; the helicopter division of Boeing Co.; and automotive parts retailer Pep Boys. The city is also home to many universities and colleges.

### **Competition**

Polonia faces significant competition for the attraction of deposits and origination of loans. Polonia's most direct competition for deposits has historically come from the several financial institutions operating in its market areas and, to a lesser extent, from other financial service companies such as brokerage firms, credit unions and insurance companies. Polonia also faces competition for investors' funds from money market funds, mutual funds and other corporate and government securities. At June 30, 2015, the most recent date for which deposit market share information is available, Polonia Bank held less than 1% of the deposits in the Philadelphia metropolitan area. In addition, banks owned by large bank holding companies such as PNC Financial Services Group, Inc., Wells Fargo & Company, TD Bank and Citizens Financial Group, Inc. also operate in its market areas. These institutions are significantly larger than Polonia and, therefore, have significantly greater resources.

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**Lending Activities**

**General.** Polonia's loan portfolio consists primarily of one- to four-family residential real estate loans. To a much lesser extent, Polonia's loan portfolio includes multi-family and nonresidential real estate loans, home equity loans, commercial loans and consumer loans. Currently, Polonia offers only fixed-rate mortgage products.

**One- to Four-Family Residential Real Estate Loans.** Polonia's primary lending activity is the origination of mortgage loans to enable borrowers to purchase or refinance existing homes. Polonia offers fixed-rate mortgage loans with terms up to 30 years. The loan fees, interest rates and other provisions of mortgage loans are determined by Polonia on the basis of its own pricing criteria and competitive market conditions.

During the past several years the origination of Federal Housing Administration (FHA) insured loan products loans has been a primary source of business for Polonia. In 2015 the Company exited this line of business. FHA loans are made up to 96.5% of the lesser of the appraised value or purchase price and are originated and underwritten manually according to private investor and FHA guidelines. FHA loans were originated by Polonia Bank with the intention of selling the loans on a flow basis to the U.S. Department of Housing and Urban Development ("HUD") and other private investors with servicing released. Generally, FHA loans are sold with recourse. Loan repurchase commitments are agreements to repurchase loans previously sold upon the occurrence of conditions established in the contract, including default by the borrower. This repurchase obligation triggered by the default of the underlying borrower for the FHA loans that Polonia sells usually expires 90-120 days from the date the loans are sold.

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 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.

Polonia generally does not make conventional loans with loan-to-value ratios exceeding 80% at the time the loan is originated. Conventional loans with loan-to-value ratios in excess of 80% generally require private mortgage insurance or additional collateral. Polonia requires all properties securing mortgage loans to be appraised by a board-approved independent appraiser. Polonia generally requires title insurance on all first mortgage loans. All borrowers must obtain hazard insurance, and flood insurance is required for loans on properties located in a flood zone, before closing the loan. Generally, all loans are subject to the same stringent underwriting standards with the intention to hold in portfolio. In addition to the FHA loans that Polonia sells, it occasionally sells loans to (1) limit Polonia Bank's exposure to a single borrower or (2) in specific circumstances to manage the interest rate risk. All loans subject to sale are identified at the time of origination. Until mid-2015, Polonia's online loans division generated loans through the Internet for sale to the Federal Home Loan Bank of Pittsburgh through its Mortgage Partnership Finance program.

***Multi-Family and Nonresidential Real Estate Loans.*** Polonia offers fixed-rate mortgage loans secured by multi-family and nonresidential real estate. Polonia's multi-family and nonresidential real estate loans are generally secured by owner-occupied properties, small office and apartment buildings. In addition to originating these loans, Polonia also participates in loans with other financial institutions located primarily in the Commonwealth of Pennsylvania. Such participations include adjustable-rate mortgage loans originated by other institutions.

Polonia originates fixed-rate multi-family and nonresidential real estate loans with terms up to 30 years. These loans are secured by first mortgages, and amounts generally do not exceed 80% of the property's appraised value at the time the loan is originated.

***Commercial Loans.*** Polonia offers commercial business loans. In 2015, Polonia originated \$10,000 in commercial loans. Polonia acquired commercial business loans with a fair value of \$28,000 as of December 31, 2015 as a result of the Earthstar Bank acquisition in 2010.

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**Home Equity Loans and Lines of Credit.** Polonia currently offers home equity loans with fixed interest rates for terms up to 15 years and maximum combined loan-to-value ratios of 80%. Polonia offers loans with adjustable interest rates tied to a market index in its market area.

**Consumer Loans.** Polonia currently offers consumer loans in the form of loans secured by savings accounts or time deposits.

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.

Polonia offers consumer loans secured by deposit accounts with fixed interest rates and terms up to five years.

## **Loan Underwriting Risks**

**Multi-Family and Nonresidential Real Estate Loans.** Loans secured by multi-family and nonresidential 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 multi-family and nonresidential 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 loans to adverse conditions in the real estate market or the economy. To monitor cash flows on income properties, Polonia generally requires borrowers and loan guarantors, if any, to provide annual financial statements on multi-family and nonresidential real estate loans. In reaching a decision on whether to make a multi-family and nonresidential real estate loan, Polonia considers the net operating income of the property, the borrower's expertise, credit history and profitability and the value of the underlying property. Polonia has 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. Environmental surveys are obtained when circumstances suggest the possibility of the presence of hazardous materials.

Polonia underwrites all loan participations to its own underwriting standards. In addition, Polonia also considers the financial strength and reputation of the lead lender. To monitor cash flows on loan participations, Polonia requires the lead lender to provide annual financial statements for the borrower. Polonia also conducts an annual internal loan review for all loan participations.

**Commercial 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 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 underlying business. As a result, the availability of funds for the repayment of commercial 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.

**Loan Originations, Purchases and Sales.** Loan originations come from a number of sources. The primary sources of loan originations are existing customers, walk-in traffic, advertising and referrals from customers. Polonia advertises in newspapers that are widely circulated in Montgomery, Bucks and Philadelphia Counties. Accordingly, when Polonia's rates are competitive, they attract loans from throughout Montgomery, Bucks and Philadelphia Counties. Polonia occasionally purchases loans and participation interests in loans. Generally, all loans are subject to the same stringent underwriting standards with the intention to hold in portfolio. In addition to the FHA loans that Polonia sells, it occasionally sells loans to (1) limit Polonia Bank's exposure to a single borrower or (2) in specific circumstances to manage the interest rate risk. All loans subject to sale are identified at the time of origination.

**Loan Approval Procedures and Authority.** Polonia's lending activities follow written, non-discriminatory, underwriting standards and loan origination procedures established by its board of directors and management. A

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loan committee consisting of officers of Polonia Bank has authority to approve all conforming one- to four-family loans and education loans. Designated loan officers have the authority to approve savings account loans. All other loans, generally consisting of non-conforming one- to four-family loans, jumbo loans, commercial real estate and employee loans must be approved by the board of directors.

**Loans to One Borrower.** The maximum amount that Polonia may lend to one borrower and the borrower's related entities generally is limited, by regulation, to 15% of its stated capital and reserves. At March 31, 2016, Polonia's general regulatory limit on loans to one borrower was \$5.2 million. At that date, Polonia's largest lending relationship was \$2.5 million. These loans, which were made to or guaranteed by a director of Polonia or affiliated entities, are secured by three one- to four-family properties and two commercial real estate properties. These loans were performing in accordance with their original terms at March 31, 2016.

**Loan Commitments.** Polonia issues commitments for fixed-rate mortgage loans conditioned upon the occurrence of certain events. Commitments to originate mortgage loans are legally binding agreements to lend to Polonia's customers. Generally, Polonia's mortgage loan commitments expire after 60 days.

## **Investment Activities**

Polonia has legal authority to invest in various types of liquid assets, including U.S. Treasury obligations, securities of various federal agencies and municipal governments, corporate securities, mortgage-backed securities, deposits at the Federal Home Loan Bank of Pittsburgh and time deposits of federally insured institutions. Within certain regulatory limits, Polonia also may invest a portion of its assets in mutual funds. Polonia also is required to maintain an investment in Federal Home Loan Bank of Pittsburgh stock. While Polonia has the authority under applicable law to invest in derivative securities, its investment policy does not permit this investment. Polonia had no investments in derivative securities at March 31, 2016.

Polonia's 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. Polonia's board of directors has the overall responsibility for the investment portfolio, including approval of its investment policy and appointment of the Asset/Liability and Investment Committee. Individual investment transactions are reviewed and ratified by Polonia's board of directors monthly.

## **Deposit Activities and Other Sources of Funds**



**General.** Deposits, borrowings and loan repayments are the major sources of Polonia's funds for lending and other investment purposes. 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.** Substantially all of Polonia's depositors are residents of the Commonwealth of Pennsylvania. Deposits are attracted, by advertising and through Polonia's website, from within its market areas through the offering of a broad selection of deposit instruments, including non-interest-bearing demand accounts (such as checking accounts), interest-bearing accounts (such as NOW and money market accounts), regular savings accounts and time deposits. Generally, Polonia does not utilize brokered funds. 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 Polonia's deposit accounts, it considers the rates offered by its competition, its liquidity needs, profitability to us, matching deposit and loan products and customer preferences and concerns. Polonia generally reviews its deposit mix and pricing weekly. Polonia's current strategy is to offer competitive rates and to be in the middle to high-end of the market for rates on all types of deposit products.

**Borrowings.** Polonia utilizes advances from the Federal Home Loan Bank of Pittsburgh to supplement its supply of funds for lending and investment. The Federal Home Loan Bank functions as a central reserve bank providing credit for its member financial institutions. As a member, Polonia is 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 its whole first 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,

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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.

**Regulatory Matters**

Effective October 21, 2014, Polonia Bank and the OCC entered into a formal written agreement (the "Agreement"). The Agreement relates to the findings of the OCC following its regularly scheduled examination of Polonia Bank that began in the second quarter of 2014. The Agreement provides, among other things, that within specified time frames, Polonia Bank will:

- establish a Compliance Committee of its Board of Directors to monitor and coordinate Polonia Bank's adherence to the Agreement and to prepare periodic reports describing Polonia Bank's progress in complying with the Agreement;

- ensure that it has competent management in place, undertake periodic reviews of Polonia Bank's management, implement a program to enhance and improve the skills Polonia Bank's management team, where necessary, act to fill any vacancies among Polonia Bank's senior executive officers within prescribed timeframes and in accordance with regulations of the OCC;

- revise its written strategic plan and submit such revised plan to the OCC for review, with such strategic plan establishing objectives for Polonia Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital and liquidity adequacy, product line development, outsourcing and market segments, together with strategies to achieve Polonia Bank's objectives;

- implement a revised asset liability management program to address Polonia Bank's interest rate risk tolerance;

- implement a mortgage banking operations risk management program;

- confirm the terms of Polonia Bank's current outstanding obligation to fund third party obligations and implement a program for oversight of Polonia Bank's mortgage origination funding activities;

- implement a revised internal audit program;

- implement a program relating to the compensation payable to Polonia Bank's executive officers, employees and directors to ensure that such compensation is reasonable and not excessive; and

- implement a revised third party risk management program that is consistent with OCC guidance.

On November 10, 2015, Polonia Bank and the OCC entered into an amendment (the “Amendment”) to the Agreement. The Amendment relates to the findings of the OCC following its regularly scheduled examination of Polonia Bank that began in the second quarter of 2015. The Amendment provides, among other things, that within specified time frames, Polonia Bank will:

Submit to the OCC a revised written compliance management program and, upon receipt of no supervisory objection, adopt and implement such program; and

Engage an independent consultant to review all loans originated by Polonia Bank’s FHA department for the calendar years 2012, 2013 and 2014 to determine compliance with the Real Estate Settlement Procedures Act of 1974 and regulations thereunder; submit to the OCC the results of the consultant’s review and a remediation plan for resolving any violations found in such review; and, upon receipt of no supervisory objection, adopt and implement the remediation plan.

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Articles II through X of the Agreement, which imposed substantive requirements on Polonia Bank, remain in effect without modification. The Agreement and the Amendment and each of their provisions will remain in effect unless and until the provisions are amended, suspended, waived, or terminated in writing by the OCC.

As a result of entering into the Agreement, Polonia Bank is deemed to be in “troubled condition” and is not considered an “eligible institution” under applicable regulations. As a result, Polonia Bank remains ineligible for expedited processing of any applications that it might file and must obtain the approval of the OCC prior to effecting any change in its directors or senior executive officers. In addition, Polonia Bank is restricted from paying any capital distributions without prior approval of the OCC.

In addition, the OCC imposed individual minimum capital requirements (“IMCRs”) on Polonia Bank effective January 20, 2015. The IMCRs require Polonia Bank to maintain a leverage ratio (equal to Tier 1 capital to average total consolidated assets) of at least 10.00% and a total capital ratio (equal to total capital to total risk-weighted assets) of at least 15.00%. Absent the IMCRs, Polonia Bank must maintain a leverage ratio of at least 5.00% and a total capital ratio of at least 10.00% to be considered well-capitalized. At March 31, 2016, Polonia Bank had a Tier 1 leverage ratio of 11.11% and a total risk-based capital ratio of 24.83%.

On February 17, 2015, Polonia entered into a Memorandum of Understanding (“MOU”) with the Federal Reserve Bank of Philadelphia. Among other things, the MOU prohibits Polonia from paying dividends, repurchasing its stock or making other capital distributions without prior written approval of the Federal Reserve Bank of Philadelphia.

## **Personnel**

As of March 31, 2016, Polonia had 46 full-time employees and 10 part-time employees, none of whom is represented by a collective bargaining unit. Polonia believes its relationship with its employees is good.

## **Subsidiaries**

Polonia Bank has two wholly-owned subsidiaries, PBMHC Company (“PBMHC”), a Delaware corporation, and Community Abstract Agency LLC, a Pennsylvania limited liability company. PBMHC was formed in 1997 to hold certain assets and conduct certain investment activities of Polonia Bank. Community Abstract Agency LLC was formed in 1999 to provide title insurance services.

## **Regulation of Polonia Bank**

Polonia Bank, as a federal savings association, is currently subject to extensive regulation, examination and supervision by the OCC, as its primary federal regulator, and by the FDIC as the insurer of its deposits. Polonia Bank is a member of the Federal Home Loan Bank System and its deposit accounts are insured up to applicable limits by the Deposit Insurance Fund of the FDIC. Polonia Bank must file reports with the OCC concerning its activities and financial condition in addition to obtaining regulatory approvals before entering into certain transactions such as mergers with, or acquisitions of, other financial institutions. There are periodic examinations by the OCC to evaluate Polonia Bank's safety and soundness and compliance with various regulatory requirements. This regulatory structure is intended primarily for the protection of the 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 an adequate allowance for loan losses for regulatory purposes. Any change in such policies, whether by the OCC, the FDIC or Congress, could have a material adverse impact on Polonia and Polonia Bank and their operations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") made extensive changes to the regulation of Polonia Bank. Under the Dodd-Frank Act, the Office of Thrift Supervision was eliminated and responsibility for the supervision and regulation of federal savings associations such as Polonia Bank was transferred to the OCC on July 21, 2011. The OCC is the agency that is primarily responsible for the regulation and supervision of national banks. Additionally, the Dodd-Frank Act created a new Consumer Financial Protection Bureau as an independent bureau of the Federal Reserve Board. The Consumer Financial Protection

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Bureau assumed responsibility for the implementation of the federal financial consumer protection and fair lending laws and regulations and has authority to impose new requirements. However, institutions of less than \$10 billion in assets, such as Polonia Bank, will continue to be examined for compliance with consumer protection and fair lending laws and regulations by, and be subject to the enforcement authority of, their prudential regulators.

Certain of the regulatory requirements that are or will be applicable to Polonia Bank and Polonia are described below. This description of statutes and regulations is not intended to be a complete explanation of such statutes and regulations and their effects on Polonia Bank and Polonia.

### **Federal Banking Regulation**

***Business Activities.*** The activities of federal savings banks, such as Polonia Bank, are governed by federal laws and regulations. Those laws and regulations delineate the nature and extent of the business activities in which federal savings banks may engage. In particular, certain lending authority for federal savings banks, *e.g.*, commercial, non-residential real property loans and consumer loans, is limited to a specified percentage of the institution's capital or assets.

***Capital Requirements.*** On July 9, 2013, the federal bank regulatory agencies issued a final rule that revised their risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision ("Basel III") and certain provisions of the Dodd-Frank Act. The final rule applies to all depository institutions and top-tier bank and savings and loan holding companies with total consolidated assets of \$1 billion or more.

The rule established a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increases the minimum Tier 1 capital to risk-based assets requirement (from 4.0% to 6.0% of risk-weighted assets) and assigned a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property.

The rule also included changes in what constitutes regulatory capital, some of which are subject to a two-year transition period. These changes include the phasing-out of certain instruments as qualifying capital. In addition, Tier 2 capital is no longer limited to the amount of Tier 1 capital included in total capital. Mortgage servicing rights, certain deferred tax assets and investments in unconsolidated subsidiaries over designated percentages of common stock are required to be deducted from capital, subject to a two-year transition period. Finally, Tier 1 capital includes accumulated other comprehensive income (which includes all unrealized gains and losses on available for sale debt and equity securities), subject to a two-year transition period.

The new capital requirements also include changes in the risk weights of assets to better reflect credit risk and other risk exposures. These include a 150% risk weight (up from 100%) for certain high volatility commercial real estate acquisition, development and construction loans and nonresidential mortgage loans that are 90 days past due or otherwise on nonaccrual status; a 20% (up from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable; a 250% risk weight (up from 100%) for mortgage servicing rights and deferred tax assets that are not deducted from capital; and increased risk-weights (from 0% to up to 600%) for equity exposures.

Finally, the rule limits capital distributions and certain discretionary bonus payments if the banking organization does not hold a “capital conservation buffer” consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements.

The final rule became effective on January 1, 2015. The capital conservation buffer requirement is being phased in beginning January 1, 2016, at 0.625% of risk-weighted assets, increasing each year until fully implemented at 2.5% on January 1, 2019.

As of March 31, 2016, Polonia Bank met all capital adequacy requirements.

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**Prompt Corrective Regulatory Action.** The OCC is required to take certain supervisory actions against undercapitalized institutions, the severity of which depends upon the institution's degree of undercapitalization. Generally, a savings association that has a ratio of total capital to risk weighted assets of less than 8%, a ratio of Tier 1 (core) capital to risk-weighted assets of less than 4% or a ratio of core capital to total assets of less than 4% (3% or less for institutions with the highest examination rating) is considered to be "undercapitalized." A savings association that has a total risk-based capital ratio of less than 6%, a Tier 1 capital ratio of less than 3% or a leverage ratio that is less than 3% is considered to be "significantly undercapitalized" and a savings association that has a tangible capital to assets ratio equal to or less than 2% is deemed to be "critically undercapitalized." Subject to a narrow exception, the OCC is required to appoint a receiver or conservator within specified time frames for an institution that is "critically undercapitalized." The regulation also provides that a capital restoration plan must be filed with the OCC within 45 days of the date a savings association is deemed to have received notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Compliance with the plan must be guaranteed by any parent holding company up to the lesser of 5% of the savings association's total assets when it was deemed to be undercapitalized or the amount necessary to achieve compliance with applicable capital requirements. In addition, numerous mandatory supervisory actions become immediately applicable to an undercapitalized institution, including, but not limited to, increased monitoring by regulators and restrictions on growth, capital distributions and expansion. The OCC could also take any one of a number of discretionary supervisory actions, including the issuance of a capital directive and the replacement of senior executive officers and directors. Significantly and critically undercapitalized institutions are subject to additional mandatory and discretionary measures.

**Insurance of Deposit Accounts.** Polonia Bank's deposits are insured up to applicable limits (\$250,000 per account) by the Deposit Insurance Fund of the FDIC. Under the FDIC's existing risk-based assessment system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other factors, with less risky institutions paying lower assessments. An institution's assessment rate depends upon the category to which it is assigned.

The Dodd-Frank Act increased the minimum target Deposit Insurance Fund ratio from 1.15% of estimated insured deposits to 1.35% of estimated insured deposits. The FDIC must seek to achieve the 1.35% ratio by September 30, 2020. Insured institutions with assets of \$10 billion or more are supposed to fund the increase. The Dodd-Frank Act eliminated the 1.5% maximum fund ratio, instead leaving it to the discretion of the FDIC.

The FDIC 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 Polonia Bank. Insurance of deposits may be terminated by the FDIC 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 FDIC or the OCC. The management of Polonia Bank does not know of any practice, condition or violation that might lead to termination of deposit insurance.

**Loans to One Borrower.** Federal law provides that savings associations are generally subject to the limits on loans to one borrower applicable to national banks. Generally, subject to certain exceptions, a savings association may not



make a loan or extend credit to a single or related group of borrowers in excess of 15% of its unimpaired capital and surplus. An additional amount may be lent, equal to 10% of unimpaired capital and surplus, if secured by specified readily-marketable collateral.

***Qualified Thrift Lender Test.*** Federal law requires savings associations to meet a qualified thrift lender test. Under the test, a savings association is required to either qualify as a “domestic building and loan association” under the Internal Revenue Code or maintain at least 65% of its “portfolio assets” (total assets less: (i) specified liquid assets up to 20% of total assets; (ii) intangibles, including goodwill; and (iii) the value of property used to conduct business) in certain “qualified thrift investments” (primarily residential mortgages and related investments, including certain mortgage-backed securities but also including education, credit card and small business loans) in at least nine months out of each 12-month period.

A savings association that fails the qualified thrift lender test is subject to certain operating restrictions and the Dodd-Frank Act also specifies that failing the qualified thrift lender test is a violation of law that could result in

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an enforcement action and dividend limitations. As of March 31, 2016, Polonia Bank maintained 86.5% of its portfolio assets in qualified thrift investments and, therefore, met the qualified thrift lender test.

**Limitation on Capital Distributions.** Federal regulations impose limitations upon all capital distributions by a savings association, 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 the prior approval of the OCC is required before any capital distribution if the institution does not meet the criteria for “expedited treatment” of applications under OCC 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 OCC. If an application is not required, the institution must still provide 30 days prior written notice to the Board of Governors of the Federal Reserve System of the capital distribution if, like Polonia Bank, it is a subsidiary of a holding company, as well as an informational notice filing to the OCC. If Polonia Bank’s capital ever fell below its regulatory requirements or the OCC notified it that it was in need of increased supervision, its ability to make capital distributions could be restricted. In addition, the OCC could prohibit a proposed capital distribution by any institution, which would otherwise be permitted by the regulation, if the OCC determines that such distribution would constitute an unsafe or unsound practice.

**Standards for Safety and Soundness.** The federal banking agencies have adopted Interagency Guidelines prescribing Standards for Safety and Soundness in various areas such as internal controls and information systems, internal audit, loan documentation and credit underwriting, interest rate exposure, asset growth and quality, earnings and compensation, fees and benefits. 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 OCC determines that a savings association fails to meet any standard prescribed by the guidelines, the OCC may require the institution to submit an acceptable plan to achieve compliance with the standard.

**Community Reinvestment Act.** All federal savings associations have a responsibility under the Community Reinvestment Act and related regulations to help meet the credit needs of their communities, including low- and moderate-income neighborhoods. An institution’s failure to satisfactorily comply with the provisions of the Community Reinvestment Act could result in denials of regulatory applications. Responsibility for administering the Community Reinvestment Act, unlike other fair lending laws, is not being transferred to the Consumer Financial Protection Bureau. Polonia Bank received a “satisfactory” Community Reinvestment Act rating in its most recently completed examination.

**Transactions with Related Parties.** Federal law limits Polonia Bank’s authority to engage in transactions with “affiliates” (*e.g.*, any entity that controls or is under common control with Polonia Bank, including Polonia and their other subsidiaries). The aggregate amount of covered transactions with any individual affiliate is limited to 10% of the capital and surplus of the savings association. The aggregate amount of covered transactions with all affiliates is limited to 20% of the savings association’s capital and surplus. 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 associations are prohibited from lending to any affiliate that is engaged in activities that are not permissible for bank holding companies and no savings association may purchase the securities of any affiliate other than a subsidiary.

The Sarbanes-Oxley Act of 2002 generally prohibits loans by Polonia to its executive officers and directors. However, the law contains a specific exception for loans by a depository institution to its executive officers and directors in compliance with federal banking laws. Under such laws, Polonia Bank's authority to extend credit to executive officers, directors and 10% shareholders ("insiders"), as well as entities such persons control, is limited. The laws limit both the individual and aggregate amount of loans that Polonia Bank may make to insiders based, in part, on Polonia Bank's capital level and requires that certain board approval procedures 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

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preference to insiders over other employees. Loans to executive officers are subject to additional limitations based on the type of loan involved.

**Enforcement.** The OCC currently has primary enforcement responsibility over savings associations and has authority to bring actions against the institution and all institution-affiliated parties, including shareholders, and any attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful actions likely to have an adverse effect on an insured institution. Formal enforcement action may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors to institution of receivership, conservatorship or termination of deposit insurance. Civil penalties cover a wide range of violations and can amount to \$25,000 per day, or even \$1 million per day in especially egregious cases. The FDIC has the authority to recommend to the OCC that enforcement action be taken with respect to a particular savings association. If action is not taken by the OCC, the FDIC has authority to take such action under certain circumstances. Federal law also establishes criminal penalties for certain violations.

**Federal Home Loan Bank System.** Polonia 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. Polonia 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. Polonia Bank was in compliance with this requirement at March 31, 2016.

**Federal Reserve Board System.** The Federal Reserve Board regulations require savings associations to maintain noninterest earning reserves against their transaction accounts (primarily Negotiable Order of Withdrawal (NOW) and regular checking accounts). The regulations generally provide that reserves be maintained against aggregate transaction accounts. Polonia Bank is required to maintain average daily reserves equal to 3% on aggregate transaction accounts of up to \$89.0 million, plus 10% on the remainder, and the first \$13.3 million of otherwise reservable balances will be exempt. These reserve requirements are subject to adjustment by the FRB. Polonia Bank is in compliance with the foregoing requirements.

## **Other Regulations**

Polonia Bank's operations are also subject to federal laws applicable to credit transactions, including 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 Act, governing the manner in which consumer debts may be collected by collection agencies; and

rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The operations of Polonia Bank also are subject to laws such as 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;

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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; and

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.

## **Holding Company Regulation**

**General.** As a savings and loan holding company, Polonia is subject to Federal Reserve Board regulations, examinations, supervision, reporting requirements and regulations regarding its activities. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a serious risk to Polonia Bank.

Pursuant to federal law and regulations and policy, a savings and loan holding company such as Polonia may generally engage in the activities permitted for financial holding companies under Section 4(k) of the Bank Holding Company Act and certain other activities that have been authorized for savings and loan holding companies by regulation.

Federal law prohibits a savings and loan holding company from, directly or indirectly or through one or more subsidiaries, acquiring more than 5% of the voting stock of another savings association, or savings and loan holding company thereof, without prior written approval of the Federal Reserve Board or from acquiring or retaining, with certain exceptions, more than 5% of a non-subsidiary holding company or savings association. A savings and loan holding company is also prohibited from acquiring more than 5% of a company engaged in activities other than those authorized by federal law or acquiring or retaining control of a depository institution that is not insured by the FDIC. In evaluating applications by holding companies to acquire savings associations, the Federal Reserve Board 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 Federal Reserve Board is prohibited from approving any acquisition that would result in a multiple savings and loan holding company controlling savings associations in more than one state, except: (i) the approval of interstate supervisory acquisitions by savings and loan holding companies; and (ii) the acquisition of a savings association in another state if the laws of the state of the target savings association specifically permit such acquisitions. The states vary in the extent to which they permit interstate savings and loan holding company acquisitions.

**Source of Strength.** The Dodd-Frank Act also extends the “source of strength” doctrine to savings and loan holding companies. The regulatory agencies must promulgate regulations implementing the “source of strength” policy that holding companies act as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress.

Polonia Bank must notify the Federal Reserve Board prior to paying a dividend to Polonia. The Federal Reserve Board may disapprove a dividend if, among other things, the Federal Reserve Board determines that the federal savings bank would be undercapitalized on a pro forma basis or the dividend is determined to raise safety or soundness concerns.

**Acquisition of Polonia.** Under the Federal Change in Bank Control Act, a notice must be submitted to the Federal Reserve Board if any person (including a company), or group acting in concert, seeks to acquire direct or indirect “control” of a savings and loan holding company or savings association. Under certain circumstances, a change of control may occur, and prior notice is required, upon the acquisition of 10% or more of the outstanding voting stock of the company or institution, unless the Federal Reserve Board has found that the acquisition will not result in a change of control. Under the Change in Bank Control Act, the Federal Reserve Board generally has 60 days from the filing of a complete notice to act, taking into consideration certain factors, including the financial and

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managerial resources of the acquirer and the anti-trust effects of the acquisition. Any company that acquires control would then be subject to regulation as a savings and loan holding company.

## **Legal Proceedings**

On August 5, 2015, Lane Brennen, a former employee of Polonia Bank, filed a complaint in state court naming Polonia Bank, Polonia Bank's former chief executive officer, Polonia Bank's chief financial officer, Polonia Bank's former chief lending officer and an employee of Polonia Bank as defendants (*Lane Brennen v Polonia Bank et al.*, Philadelphia Court of Common Pleas, Case ID 150800526). The complaint alleges claims for breach of his employment contract, violation of Pennsylvania's Wage Payment and Collection Law, and for unlawful retaliation and demands an accounting. Mr. Brennen seeks compensation that he alleges is owed to him under the terms of his employment agreement, as well as other compensatory and punitive damages. Polonia Bank intends to vigorously defend against these claims. However, the defense may not be successful and insurance may not be available or adequate to fund any judgment, settlement or costs of defense of this action. The individual defendants may be entitled to indemnification from Polonia Bank, for which there may be no insurance coverage. Polonia Bank has asserted claims against Mr. Brennen for breach of contract and breach of fiduciary duties.

On December 9, 2015, Jerry Markopoulos, a former employee of Polonia Bank, filed a complaint naming Polonia Bank, Polonia Bank's Chairman, Polonia Bank's chief executive officer, and Polonia Bank's former chief lending officer as defendants (*Markopoulos v. Polonia Bank et al.*, United States District Court for the Eastern District of Pennsylvania, Case No. 2:15-cv-06520). The complaint alleges claims for breach of his employment contract, violation of Pennsylvania's Wage Payment and Collection Law, and for unlawful retaliation and demands for an accounting. Mr. Markopoulos seeks compensation that he alleges is owed to him under the terms of his employment agreement, as well as other compensatory damages and costs and expenses. Polonia Bank intends to vigorously defend against these claims. However, the defense may not be successful and insurance may not be available or adequate to fund any judgment, settlement or costs of defense of this action. The individual defendants may be entitled to indemnification from Polonia Bank, for which there may be no insurance coverage.

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **General**

Polonia's business activities are the ownership of the outstanding capital stock of Polonia Bank. Currently, Polonia neither owns or leases any property, but instead uses the premises, equipment and other property of Polonia Bank and pays appropriate rental fees, as required by applicable law and regulations. In the future, Polonia may acquire or organize other operating subsidiaries; however, there are no current plans, arrangements, or understandings, written or



oral, to do so.

**Income.** Polonia's primary source of pre-tax income is net interest income. Net interest income is the difference between interest income, which is the income that Polonia earns on its loans and securities, and interest expense, which is the interest that it pays on its deposits and Federal Home Loan Bank borrowings. Other significant sources of pre-tax income are service charges on deposit accounts and other loan fees (including loan brokerage fees and late charges). In addition, Polonia recognizes gains or losses from the sale of loans and investments in years that it has such sales.

**Allowance for Loan Losses.** The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and value of the portfolio, information about specific borrower situations, and estimated collateral values, economic conditions, and other factors. Allocation of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

**Expenses.** The non-interest expenses Polonia incurs in operating its business consist of salaries and employee benefits expenses, occupancy and equipment expenses, marketing expenses and various other miscellaneous expenses.

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Salaries and employee benefits consist primarily of: salaries and wages paid to Polonia's employees; payroll taxes; and expenses for health insurance and other employee benefits.

Occupancy and equipment expenses, which are the fixed and variable costs of buildings and equipment, consist primarily of depreciation charges, furniture and equipment expenses, maintenance, real estate taxes and costs of utilities. Depreciation of premises and equipment is computed using the straight-line method based on the useful lives of the related assets, which range from three to 40 years.

Marketing expenses include expenses for advertisements, promotions, third-party marketing services and premium items.

Other expenses include expenses for supplies, telephone and postage, data processing, contributions and donations, director and committee fees, insurance and surety bond premiums and other fees and expenses.

**Critical Accounting Policies**

Polonia considers accounting policies involving significant judgments and assumptions by management that have, or could have, a material impact on the carrying value of certain assets or on income to be critical accounting policies. Polonia considers the following to be Polonia's critical accounting policies.

**Securities.** Securities are reported at fair value adjusted for premiums and discounts which are recognized in interest income using the interest method over the period to maturity. Declines in the fair value of individual securities below their amortized cost, and that are deemed to be other than temporary, will be written down to current market value and included in earnings as realized losses. Management systematically evaluates securities for other than temporary declines in fair value on a quarterly basis.

**Allowance for loan losses.** The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). Polonia's periodic evaluation of the adequacy of the allowance for loan losses is determined by management through evaluation of the loss exposure on individual non-performing, delinquent and high-dollar loans; review of economic conditions and business trends; historical loss experience and growth and composition of the loan portfolio, as well as other relevant factors.

A quantitative analysis is utilized to support the adequacy of the allowance for loan losses. This analysis includes review of historical charge-off rates for loan categories, fluctuations and trends in the amount of classified loans and economic factors. Significant to this analysis are any changes in observable trends that may be occurring relative to loans to assess potential weaknesses within the credit. Current economic factors and trends in risk ratings are considered in the determination and allocation of the allowance for loan losses.

**Income Taxes.** Polonia files a consolidated federal income tax return. Deferred tax assets and liabilities are computed based on the difference between the financial statement and the income tax basis of assets and liabilities using the enacted marginal tax rates. Deferred income taxes or benefits are based on changes in the deferred tax asset or liability from period to period. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which such items are expected to be realized or settled. As changes in tax rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

### **Comparison of Financial Condition at March 31, 2016 and December 31, 2015**

Total assets at March 31, 2016 were \$287.7 million, a decrease of \$3.9 million from total assets of \$291.6 million at December 31, 2015. The purchase of certificates of deposit resulted in a shift in Polonia's asset mix, as cash and cash equivalents were reinvested into higher yielding assets. Deposits declined due to competitive conditions, as Polonia allowed some deposit run-off to manage its liquidity needs. The decrease in liabilities was primarily due to a \$2.6 million decrease in other liabilities. The decrease in other liabilities related to a \$2.0 million liability established in December 2015 for securities trades which settled in January 2016. Total stockholders' equity at March 31, 2016 remained constant at \$37.5 million as compared to \$37.5 million at December 31, 2015.

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Cash and cash equivalents decreased to \$7.7 million from \$31.1 million during the three months ended March 31, 2016, primarily as the result of the purchase of \$24.0 million in certificates of deposit.

Certificates of deposit increased to \$36.9 million from \$16.0 million during the three months ended March 31, 2016, primarily as a result of the purchase of \$24.0 million in certificates of deposit, partially offset by the maturity of \$3.1 million in certificates of deposit. The increase in certificates of deposit was completed to increase the yield on liquid assets while at the same time remaining short in terms of duration.

Investment securities available for sale increased to \$56.3 million from \$54.9 million during the three months ended March 31, 2016, an increase of \$1.4 million, or 2.6%. The increase in investment securities available for sale was attributable to the purchase of \$7.2 million in securities, partially offset by the sale of \$4.6 million in securities and \$1.7 million in repayments and maturities.

Total loans decreased \$2.3 million, or 1.3%, to \$171.2 million at March 31, 2016, compared to \$173.5 million at December 31, 2015. The decrease in total loans was primarily the result of repayment and payoffs of loans.

Total deposits decreased to \$187.1 million from \$188.2 million during the three months ended March 31, 2016, a decrease of \$1.1 million, or 0.6%.

Total Federal Home Loan Bank advances remained unchanged at \$56.0 million during the three months ended March 31, 2016.

**Comparison of Operating Results For the Three Months Ended March 31, 2016 and 2015**

**General.** Polonia recorded a net loss of \$268,000 during the three months ended March 31, 2016 compared to net income of \$138,000 during the three months ended March 31, 2015. The decrease in net income for the three month period ended March 31, 2016 was primarily related to a decrease in noninterest income and a decrease in net interest income, partially offset by a decrease in noninterest expense, a decrease in income tax expense and decrease in provision for loan losses.

**Net Interest Income.** The following table summarizes changes in interest income and expense for the three months ended March 31, 2016 and 2015.

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2016</b>	<b>2015</b>
	<b>(Dollars in thousands)</b>	
Interest and dividend income:		
Loans receivable	\$ 1,929	\$ 2,191
Investment securities	307	357
Other interest and dividend income	119	132
Total interest and dividend income	2,355	2,680
Interest Expense:		
Deposits	408	428
FHLB advances – long-term	358	368
Advances by borrowers for taxes and insurance	1	1
Total interest expense	767	797
Net interest income	\$ 1,588	\$ 1,883

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The following table summarizes average balances and average yields and costs for the three months ended March 31, 2016 and 2015.

	<b>Three Months Ended March 31,</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Average Balance</b>	<b>Yield/ Cost</b>	<b>Average Balance</b>	<b>Yield/ Cost</b>
	<b>(Dollars in thousands)</b>			
Assets:				
Interest-earning assets:				
Loans	\$ 172,320	4.43 %	\$ 206,520	4.24 %
Investment securities	56,003	2.17	54,727	2.61
Other interest-earning assets	46,374	1.03	25,424	2.11
Total interest-earning assets	274,697	3.44 %	286,671	3.79 %
Noninterest-earning assets:				
Allowance for loan losses	(1,255 )		(1,396 )	
Total assets	\$ 288,789		\$ 305,782	
Liabilities and equity:				
Interest-bearing liabilities:				
Interest-bearing demand deposits	\$ 15,184	0.18 %	\$ 13,502	0.15 %
Money Market Deposits	34,390	0.37	36,464	0.37
Savings accounts	29,915	0.15	28,398	0.16
Time deposits	102,026	1.41	112,996	1.36
Total interest-bearing deposits	181,515	0.90 %	191,360	0.91 %
FHLB advances – long- term	56,000	2.56	59,000	2.53
Advances by borrowers for taxes and insurance	1,017	0.39	1,180	0.34
Total interest-bearing liabilities	238,532	1.29 %	251,540	1.28 %
Noninterest-bearing liabilities:				
Total liabilities	251,145		266,680	
Retained earnings	37,644		39,102	
Total liabilities and retained earnings	\$ 288,789		\$ 305,782	
Interest rate spread		2.15 %		2.51 %
Net yield on interest- earning assets		2.32 %		2.66 %
Ratio of average interest- earning assets to average interest-bearing liabilities		115.16 %		113.97 %

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**Net Interest Income.** Net interest income for the three months ended March 31, 2016 decreased \$295,000 from the same period last year. Polonia's net interest rate spread decreased to 2.15% for the three months ended March 31, 2016 from 2.51% for the same period last year. The primary reason for the decrease in net interest income for the three month period was due to lower interest income, which was partially offset by lower interest expense. Interest income declined due to a lower average balance of loans, a lower yield earned on other interest-earning assets, a lower average yield earned on investment securities, partially offset by a higher average balance of other interest-earning assets and investment securities and a higher average yield earned on loans. Interest expense declined due to a lower average balance of deposits. The decrease in the average balance of loans was primarily a result of the sale of \$26.4 million in loans in 2015.

**Provision for Loan Losses.** There was no provision for loan losses recorded during the three months ended March 31, 2016 as compared to \$63,000 for the three months ended March 31, 2015. The provisions reflect management's assessment of lending activities, changes in the loan portfolio, increased nonperforming loans, levels of current delinquencies and current economic conditions. There were loan charge-offs of \$40,000 during the three months ended March 31, 2016. There were no loan charge-offs during the three months ended March 31, 2015.

**Noninterest Income.** The following table shows the components of noninterest income for the three months ended March 31, 2016 and 2015.

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2016</b>	<b>2015</b>
	<b>(Dollars in thousands)</b>	
Service fees on deposit accounts	\$ 23	\$ 23
Earnings on bank-owned life insurance	(5 )	(2 )
Investment securities losses, net	251	-
Gain on sale of loans, net	-	804
Rental Income	69	63
Other	(17 )	340
Total	\$ 321	\$ 1,228

The \$907,000 decrease in noninterest income during the three months ended March 31, 2016 as compared to the three months ended March 31, 2015 was primarily due to a \$804,000 decrease in the gain on the sale of loans and a \$357,000 decrease in other noninterest income, partially offset by a \$251,000 increase in the gain of the sale of investment securities. The decrease in the gain on the sale of loans was due to the elimination of the Retail Mortgage Banking Group. The Retail Mortgage Banking Group was eliminated in mid-2015 in order to reduce costs and mitigate compliance risks associated with this type of mortgage lending. The \$357,000 decrease in other noninterest income was due to the \$289,000 decrease in the value of non-qualified deferred compensation plan assets and a decrease of \$61,000 in the gain on the sale of REO.

**Noninterest Expense.** The following table shows the components of noninterest expense for the three months ended March 31, 2016 and 2015.

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2016</b>	<b>2015</b>
	<b>(Dollars in thousands)</b>	
Compensation and employee benefits	\$ 1,040	\$ 1,328
Occupancy and equipment	319	329
Federal deposit insurance premiums	127	145
Data processing expense	104	102
Professional fees	197	179
Other	517	750
Total	\$ 2,304	\$ 2,833
Efficiency ratio	120.69 %	91.06 %



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The \$529,000 decrease in noninterest expense during the three months ended March 31, 2016 as compared to the three months ended March 31, 2015 was primarily due to a \$288,000 decrease in compensation and employee benefits, a \$233,000 decrease in other noninterest expense, an \$18,000 decrease in federal deposit insurance premiums and a \$10,000 decrease in occupancy and equipment, partially offset by an \$18,000 increase in professional fees and a \$2,000 increase in data processing expense. The decrease in compensation and employee benefits was the result of changes in staffing and employee benefits and the elimination of Polonia's Retail Mortgage Banking Group. The decrease in other noninterest expense is primarily related to a \$289,000 decrease in the expense related to the non-qualified deferred compensation plan liabilities, a \$68,000 decrease in loan expense and decreases of \$55,000 in other various expenses, partially offset by a \$173,000 increase in the expense related to the FDIC indemnification asset.

**Income Taxes.** Polonia recorded a tax benefit of \$128,000 for the three months ended March 31, 2016 as compared to a tax expense of \$77,000 during the three months ended March 31, 2015. The decrease in the tax expense resulted from the increase in Polonia's taxable operating loss.

### ***Liquidity and Capital Management***

**Liquidity Management.** Liquidity is the ability to meet current and future financial obligations of a short-term nature. Polonia's primary sources of funds consist of deposit inflows, loan repayments, maturities and sales of 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 loan prepayments are greatly influenced by general interest rates, economic conditions and competition.

Polonia regularly adjusts its investments in liquid assets based upon its assessment of (1) expected loan demand, (2) expected deposit flows, (3) yields available on interest-earning deposits and securities and (4) the objectives of its asset/liability management policy.

Polonia's most liquid assets are cash and cash equivalents. The levels of these assets depend on Polonia's operating, financing, lending and investing activities during any given period. At March 31, 2016, cash and cash equivalents totaled \$7.7 million. Securities classified as available for sale, which provide additional sources of liquidity, totaled \$56.3 million at March 31, 2016. In addition, at March 31, 2016, Polonia had the ability to borrow a total of approximately \$127.7 million from the Federal Home Loan Bank of Pittsburgh. On March 31, 2016, Polonia had \$56.0 million of borrowings outstanding. Any growth of Polonia's loan portfolio may require it to borrow additional funds.

At March 31, 2016, Polonia had \$112,000 in mortgage loan commitments outstanding and \$4.0 million in unused lines of credit. Time deposits due within one year of March 31, 2016 totaled \$44.7 million, or 43.9% of time deposits. If these maturing deposits do not remain with Polonia, it will be required to seek other sources of funds, including other time depos