

PRUDENTIAL BANCORP INC OF PENNSYLVANIA
Form 10-Q
May 17, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number: 000-51214

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

Pennsylvania

(State or Other Jurisdiction of Incorporation or
Organization)

1834 Oregon Avenue

Philadelphia, Pennsylvania

(Address of Principal Executive Offices)

68-0593604

(I.R.S. Employer Identification
No.)

19145

Zip Code

(215) 755-1500

(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated

Accelerated filer

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filer o

Non-accelerated filer o (Do not check if a smaller reporting company)

Smaller reporting
company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practical date: as of May 5, 2010, 10,031,472 shares were issued and outstanding.

PRUDENTIAL BANCORP, INC. OF PENNSYLVANIA

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PRUDENTIAL BANCORP, INC. OF PENNSYLVANIA AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	March 31, 2010	September 30, 2009
	(Dollars in Thousands)	
ASSETS		
Cash and amounts due from depository institutions	\$5,036	\$4,088
Interest-bearing deposits	16,448	9,581
Total cash and cash equivalents	21,484	13,669
Investment and mortgage-backed securities held to maturity (estimated fair value— March 31, 2010, \$141,967; September 30, 2009, \$161,968)	140,450	160,126
Investment and mortgage-backed securities available for sale (amortized cost— March 31, 2010, \$67,118; September 30, 2009, \$63,000)	66,982	62,407
Loans receivable—net of allowance for loan losses (March 31, 2010, \$2,426; September 30, 2009, \$2,732)	253,831	256,694
Accrued interest receivable:		
Loans receivable	1,474	1,419
Mortgage-backed securities	368	390
Investment securities	1,383	1,496
Real estate owned	5,297	3,622
Federal Home Loan Bank stock—at cost	3,545	3,545
Office properties and equipment—net	1,981	1,992
Bank owned life insurance	5,888	5,786
Prepaid expenses and other assets	3,515	1,272
Deferred tax asset-net	2,041	2,343
TOTAL ASSETS	\$508,239	\$514,761

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

Deposits:

Noninterest-bearing	\$2,102	\$2,848
Interest-bearing	434,214	429,526
Total deposits	436,316	432,374
Advances from Federal Home Loan Bank	13,637	19,659
Accrued interest payable	1,374	3,463
Advances from borrowers for taxes and insurance	1,186	1,214
Accounts payable and accrued expenses	1,019	1,703
Accrued dividend payable	501	491
Total liabilities	454,033	458,904

COMMITMENTS AND CONTINGENCIES (Note 8)

STOCKHOLDERS' EQUITY:

Preferred stock, \$.01 par value, 10,000,000 shares authorized, none issued	-	-
Common stock, \$.01 par value, 40,000,000 shares authorized, issued 12,563,750; outstanding - 10,031,472 at March 31, 2010; 10,331,866 at September 30, 2009	126	126
Additional paid-in capital	53,246	52,938
Unearned ESOP shares	(3,346)	(3,457)
Treasury stock, at cost: 2,532,278 shares at March 31, 2010; 2,231,884 shares at September 30, 2009	(31,576)	(28,652)
Retained earnings	35,846	35,293
Accumulated other comprehensive loss	(90)	(391)
 Total stockholders' equity	 54,206	 55,857

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$508,239	\$514,761
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See notes to unaudited consolidated financial statements.

PRUDENTIAL BANCORP, INC. OF PENNSYLVANIA AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,		Six Months Ended March 31,	
	2010	2009	2010	2009
	(Dollars in Thousands Except Per Share Amounts)		(Dollars in Thousands Except Per Share Amounts)	
INTEREST INCOME:				
Interest on loans	\$3,719	\$3,863	\$7,470	\$7,590
Interest on mortgage-backed securities	1,188	1,562	2,411	3,318
Interest and dividends on investments	1,404	1,480	2,896	3,224
Total interest income	6,311	6,905	12,777	14,132
INTEREST EXPENSE:				
Interest on deposits	2,086	3,202	4,357	6,361
Interest on borrowings	200	224	417	527
Total interest expense	2,286	3,426	4,774	6,888
NET INTEREST INCOME	4,025	3,479	8,003	7,244
PROVISION FOR LOAN LOSSES	250	50	385	363
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,775	3,429	7,618	6,881
NON-INTEREST INCOME (LOSS):				
Fees and other service charges	118	131	243	256
Total other-than-temporary impairment losses	(43)	(3,156)	(375)	(5,310)
Portion of loss recognized in other comprehensive income, before taxes	(90)	2,509	38	2,509
Net impairment losses recognized in earnings	(133)	(647)	(337)	(2,801)
Other	77	82	176	164
Total non-interest income (loss)	62	(434)	82	(2,381)
NON-INTEREST EXPENSE:				
Salaries and employee benefits	1,324	1,262	2,685	2,330
Data processing	122	136	260	301
Professional services	143	204	285	420
Office occupancy	110	109	203	204
Depreciation	89	81	177	166
Payroll taxes	95	78	162	141

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Director compensation	88	64	150	121
Deposit insurance	155	88	337	296
Real estate owned expense	58	209	74	220
Advertising	114	110	212	207
Other	363	337	671	726
Total non-interest expense	2,661	2,678	5,216	5,132
INCOME (LOSS) BEFORE INCOME TAXES	1,176	317	2,484	(632)
INCOME TAXES:				
Current expense	214	350	808	853
Deferred expense (benefit)	119	15	147	(444)
Total income tax expense	333	365	955	409
NET INCOME (LOSS)	\$843	\$(48)	\$1,529	\$(1,041)
BASIC INCOME (LOSS) PER SHARE	\$0.09	\$(0.004)	\$0.16	\$(0.10)
DILUTED INCOME (LOSS) PER SHARE	\$0.09	\$(0.004)	\$0.15	\$(0.10)

See notes to unaudited consolidated financial statements.

PRUDENTIAL BANCORP, INC. OF PENNSYLVANIA AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

	Common Stock	Additional Paid-In Capital	Unearned ESOP Shares	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Comprehensive Income (Loss)
(Dollars in Thousands except per share amounts)								
BALANCE, OCTOBER 1, 2009	\$ 126	\$ 52,938	\$ (3,457)	\$ (28,652)	\$ 35,293	\$ (391)	\$ 55,857	
Comprehensive income:								
Net income					1,529		1,529	1,529
Net unrealized holding gain on available for sale securities arising during the period, net of income tax of \$41						79	79	79
Reclassification adjustment for other than temporary impairment recognized in earnings net of tax of \$115						222	222	222
Comprehensive income								\$ 1,830
Cash dividends declared (\$.10 per share)					(976)		(976)	
Treasury stock purchased (300,394 shares)				(2,924)			(2,924)	
Excess tax benefit from stock		31					31	

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compensation								
Stock option expense	109						109	
Recognition and Retention Plan expense	172						172	
ESOP shares committed to be released (11,310 shares)	-	(4)	111	-	-	-	-	107
BALANCE, March 31, 2010	\$ 126	\$ 53,246	\$ (3,346)	\$ (31,576)	\$ 35,846	\$ (90)	\$ 54,206	
	Common Stock	Additional Paid-In Capital	Unearned ESOP Shares	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Comprehensive Income (Loss)
	(Dollars in Thousands except per share amounts)							
BALANCE, OCTOBER 1, 2008	\$ 126	\$ 54,925	\$ (3,680)	\$ (19,481)	\$ 37,288	\$ (691)	\$ 68,487	
Cumulative adjustment related to the adoption of EITF 06-10, net of tax					(256)		(256)	
Cumulative adjustment related to the adoption of Recognition and Presentation, of other-than-temporary impairment, net of income tax benefit of \$390.					1,148	(758)	390	
Comprehensive income (loss):								
Net loss					(1,041)		(1,041)	(1,041)
Net unrealized holding loss on available for sale securities arising during the period, net of income tax						(1,802)	(1,802)	(1,802)

benefit of \$928

Reclassification adjustment for other than temporary impairment recognized in earnings net of tax of \$953						1,848	1,848	1,848
Comprehensive loss								\$ (995)
Cash dividends declared (\$.10 per share)						(1,068)	(1,068)	
Excess tax benefit and stock compensation		35					35	
Stock option expense		52					52	
Recognition and Retention Plan expense		57					57	
Acquisition of restricted stock plan shares (226,148 shares)		(2,465)					(2,465)	
ESOP shares committed to be released (11,310 shares)	-	4	111	-	-	-	115	
BALANCE, March 31, 2009	\$ 126	\$ 52,608	\$ (3,569)	\$ (19,481)	\$ 36,071	\$ (1,403)	\$ 64,352	

See notes to unaudited consolidated financial statements

PRUDENTIAL BANCORP, INC. OF PENNSYLVANIA AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended March	
	31,	
	2010	2009
	(Dollars in Thousands)	
OPERATING ACTIVITIES:		
Net income (loss)	\$1,529	\$(1,041)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Provision for loan losses	385	363
Depreciation	177	166
Net accretion of premiums/discounts	(154)	(922)
Net accretion of deferred loan fees and costs	(30)	(76)
Impairment charge on investment and mortgage-backed securities	337	2,801
Share-based compensation expense	312	144
Real estate owned writedown	18	186
Amortization of ESOP	107	115
Income from bank owned life insurance	(102)	(104)
Deferred income tax expense (benefit)	147	(444)
Excess tax benefit related to stock compensation	(31)	(35)
Changes in assets and liabilities which used cash:		
Accrued interest receivable	80	245
Prepaid expenses and other assets	(2,244)	71
Accrued interest payable	(2,089)	(962)
Accounts payable and accrued expenses	(685)	(640)
Net cash used in operating activities	(2,243)	