

PRUDENTIAL BANCORP, INC.  
Form DEFM14A  
November 16, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

SCHEDULE 14A

(Rule 14a-101)

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934 (Amendment No. )**

**Filed by the Registrant**

**Filed by a Party other than the Registrant**

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Prudential Bancorp, Inc.

*(Name of Registrant as Specified In Its Charter)*

*(Name of Person(s) Filing Proxy Statement, if other than Registrant)*

**Payment of Filing Fee (Check the appropriate box):**

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- (1) Title of each class of securities to which transaction applies: \_\_\_\_\_
  - (2) Aggregate number of securities to which transaction applies: \_\_\_\_\_
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): \_\_\_\_\_
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(1) Amount Previously Paid: \$1932.00

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(3) Filing Party: Prudential Bancorp, Inc.

(4) Date Filed: July 22, 2016

MERGER PROPOSED—YOUR VOTE IS VERY IMPORTANT

Dear Shareholder of Prudential 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, 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. 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. Based on closing sales price of Prudential common stock on November 10, 2016, the latest practical trading date prior to this proxy statement, the aggregate value of the merger consideration, before any possible adjustment as provided for under the terms of the merger agreement, is \$37.7 million. Based on 3,348,827 shares of Polonia common stock issued and outstanding, Prudential expects to issue approximately 1,271,047 shares of common stock before taking into account any adjustment for the issuance of cash in lieu of fractional shares.

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 Prudential 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 by Polonia shareholders or at the completion of the merger.

Under the terms of the merger agreement, that the event of the average daily closing sales prices for Prudential common stock for a specified period prior to the closing of the merger is less than \$11.89 per share and the decrease in the price of Prudential's common stock is more than 20% greater than the decrease in the Nasdaq Bank Index over the

same period, Polonia has the right to terminate the merger agreement; provided, however, Prudential has the option to adjust the exchange ratio to prevent the termination of merger agreement.

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 November 10, 2016, the last practicable trading day before the distribution of this proxy statement. 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	Implied Value of One Share of Polonia Common Stock	Value of the Cash Consideration for One Share of Polonia Common Stock
At June 1, 2016	\$ 14.91	\$ 11.32	\$ 11.28
At November 10, 2016	\$ 14.77	\$ 11.21	\$ 11.28

**Your vote is important.** Approval of the issuance of the shares of Prudential common stock in the merger with Polonia requires the affirmative vote of the holders of a majority of the votes cast by holders of Prudential common stock entitled to vote at the Prudential special meeting of shareholders. If the proposal to issue shares of Prudential common stock to Polonia shareholders in the merger is not approved, a condition to the consummation of the merger cannot be satisfied. Shareholders of Polonia approved the merger agreement at a special meeting of shareholders held on October 25, 2016.

Prudential will hold a special meeting of shareholders at Prudential Bank's main office located at 1834 West Oregon Avenue, Philadelphia, Pennsylvania, on December 19, 2016 at 11:00 a.m. Eastern time to consider and vote on the proposed issuance of shares of Prudential common stock in connection with the merger.

**Prudential's board of directors unanimously recommends that Prudential shareholders vote "FOR" the proposal to issue shares of Prudential common stock to Polonia shareholders in the merger and "FOR" the approval of the adjournment of the Prudential special meeting, if necessary, to solicit additional proxies in favor of that proposal.**

**Whether or not you plan to attend Prudential'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 Prudential'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 provides you with detailed information about the merger agreement, the merger and the proposals to be voted on at the Prudential special meeting.

**We urge you to read this entire proxy statement, 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 Prudential 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.**

Sincerely,

Dennis Pollack

President and Chief Executive Officer

Prudential Bancorp, Inc.

The date of this proxy statement is November 10, 2016, and it is first being mailed or otherwise delivered to Prudential shareholders on or about November 16, 2016.

**PRUDENTIAL BANCORP, INC.**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON DECEMBER 19, 2016**

To the Shareholders of Prudential Bancorp, Inc.:

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of Prudential Bancorp, Inc., or Prudential, will be held on December 19, 2016 at 11:00 a.m. Eastern time at Prudential Savings Bank's main office located at 1834 West Oregon Avenue, Philadelphia, Pennsylvania, to consider and vote upon the following matters:

A proposal to approve the issuance of shares of Prudential common stock to holders of Polonia Bancorp, Inc., or Polonia, in connection with the merger of Polonia with and into Prudential as contemplated by the Agreement and Plan of Merger dated as of June 2, 2016, by and between Prudential and Polonia, as more fully described in the attached proxy statement; and

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 issue shares of Prudential common stock to holders of Polonia common stock in the merger, which we refer to as the adjournment proposal.

We have fixed the close of business on November 10 2016 as the record date for determining those Prudential shareholders entitled to notice of, and to vote at, the Prudential special meeting and any adjournments or postponements of the Prudential special meeting. Only Prudential shareholders of record at the close of business on that date are entitled to vote at the Prudential special meeting and any adjournments or postponements of the Prudential special meeting.

Approval of the proposal for the issuance of the shares of Prudential common stock the holders of Polonia common stock in the merger in connection with the merger and 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.

**Whether or not you intend to attend the Prudential 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 Prudential 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 Prudential 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.**

Prudential’s board of directors has approved the merger agreement and the issuance of shares of Prudential common stock to holders of Polonia common stock in connection with the merger. Prudential’s board of directors recommends that Prudential shareholders vote “FOR” approval of the proposal for the issuance of the shares of Prudential common stock to holders of Polonia common stock in connection with the merger and “FOR” the proposal to authorize the adjournment of the Prudential special meeting, if necessary or appropriate, to solicit additional proxies to approve the proposal to issue shares of Prudential common stock to holders of Polonia common stock in connection with the merger.

The enclosed proxy statement provides a detailed description of the Prudential 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, including the attached Annexes and any documents incorporated in the proxy statement by reference, carefully and in their entirety.

BY ORDER OF THE BOARD OF DIRECTORS,

Sharon M. Slater, Corporate Secretary

Philadelphia, Pennsylvania  
November 10, 2016



## **ADDITIONAL INFORMATION**

This proxy statement incorporates important business and financial information about Prudential that is not included in or delivered with this proxy statement. 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, 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 Prudential's special meeting to ensure timely delivery. This means Prudential shareholders requesting documents must do so by December 12, 2016, in order to receive them before Prudential's special meeting.**

See "Where You Can Find More Information" on page 118.

## **ABOUT THIS DOCUMENT**

This document, which forms part of a registration statement on Form S-4 filed by Prudential with the SEC (File No. 333-212641) under the Securities Act of 1933, as amended, which we refer to as the Securities Act, constitutes a proxy statement of Prudential in connection with its special meeting of shareholders. This document also provides the notice of the special meeting of Prudential in accordance with state law with respect to its special meeting at which shareholders will consider and vote on the proposals described in the Prudential 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 November 10, 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 Prudential 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 the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such 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 Prudential 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 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 Prudential shareholders, and the voting procedures for the Prudential special meeting of shareholders.*

In this proxy statement, 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 as Annex A and is incorporated by reference herein.

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

A: We are delivering this document to you because it is a proxy statement being used by the Prudential 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, Prudential has called a special meeting of its shareholders, which we refer to as the Prudential special meeting. This document serves as a proxy statement for the Prudential 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 Prudential special meeting in person.

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

A: Prudential shareholders are being asked to approve the issuance of shares of Prudential common stock to Polonia shareholders in connection with the merger. The approval is required in order to be able to have the shares of Prudential common stock to be issued in the merger to the shareholders of Polonia be listed on the Nasdaq Global Market. The listing requirements of the Nasdaq Stock Market provide that shareholder approval of the issuance of shares by an issuer whose securities are traded on the Nasdaq Stock Market is required when there are common

shareholders of both entities involved in the transaction which individually own five percent or more of the common stock of each entity. Unless approval of this proposal is obtained, the listing of the additional shares of Prudential common stock to be issued in the merger will not be approved which would cause a condition to completion of the merger to be unable to be satisfied.

In addition, Prudential shareholders are being asked to approve a proposal to adjourn the Prudential special meeting, if necessary or appropriate, to solicit additional proxies in favor of the issuance of the shares of Prudential common stock in connection with the merger.

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

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. 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. 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 over-subscribed will receive a mixture of both stock and cash

**A:** consideration in accordance with the proration 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: What will Prudential shareholders receive in the merger?**

**A:** If the merger is completed, Prudential shareholders will not receive any merger consideration and will continue to hold the shares of Prudential common stock that they currently hold.

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

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, and the value of the stock consideration may be more or less

**A:** 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 November 10, 2016, the latest practicable date before the mailing of this proxy statement, of \$14.77, the value of the stock consideration was \$11.21.

**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.



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

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

**A:** 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.

Please see “Material United States Federal Income Tax Consequences of the Merger” beginning on page 74 for further discussion of the material U.S. federal income tax consequences of the merger.

**Q: Does Prudential’s board of directors recommend that Prudential shareholders approve the issuance of the shares of Prudential common stock in connection with the merger?**

Yes. Prudential’s board of directors recommends that Prudential’s shareholders vote “FOR” approval of the issuance of the shares of Prudential common stock in connection with the merger at the Prudential special meeting. Please

**A:** see “The Merger – Prudential’s Reasons for the Merger; Recommendation of Prudential’s Board of Directors” beginning on page 44 for a more detailed discussion regarding the information and factors considered by Prudential’s board of directors in making its recommendation.

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

Yes. Polonia’s board of directors 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

**A:** board of directors unanimously recommended that Polonia’s shareholders vote “FOR” approval and adoption of the merger agreement at the Polonia special meeting which was held on October 25, 2016. Polonia’s shareholders approved the adoption of the merger agreement at Polonia’s special meeting held on October 25, 2016.

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

**A:** The Prudential special meeting will be held at Prudential Bank’s main office located at 1834 West Oregon Avenue, Philadelphia, Pennsylvania on December 19, 2016, at 11:00 a.m. Eastern time.

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

- A:** Only holders of record of Prudential common stock at the close of business on November 10, 2016, the record date for the Prudential special meeting, will be entitled to vote at the Prudential special meeting.

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

After you have carefully read this proxy statement, including the Annex 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 completing, signing,

**A:** 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?**

The merger cannot be completed unless Prudential’s shareholders approve the issuance of shares of Prudential common stock in connection with the merger. The Prudential board unanimously recommends that shareholders vote “**FOR**” the proposal to approve the merger agreement.

**A:**

Polonia has held a special meeting of shareholders to consider the proposal to adopt the merger agreement, at which meeting its shareholders approved such proposal.

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

The presence, in person or by proxy, at the Prudential special meeting of shareholders entitled to cast at least a

**A:** majority of the votes which all shareholders are entitled to cast on each proposal 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 Prudential special meeting?**

Approval of the issuance of the shares of Prudential common stock in connection with the merger requires the affirmative vote of the holders of a majority of the votes cast by holders of Prudential common stock entitled to

**A:** vote at the Prudential special meeting. A failure to vote by a Prudential 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 issuance of the shares of Prudential common stock in connection with the merger.

Approval of the Prudential adjournment proposal requires the affirmative vote of a majority of the votes cast by holders of Prudential common stock entitled to vote at the Prudential special meeting. A failure to vote by a Prudential 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 Prudential shares voted before signing and returning it, your proxy will be voted as recommended by the board of directors of Prudential.

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

**A:**

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

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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?**

**A:** 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, 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 Prudential shareholders who hold shares as of the record date for the Prudential special meeting, including Prudential shareholders of record and Prudential shareholders who hold their shares through banks, brokers, nominees or any other holder of record, may attend the Prudential special meeting. Holders of record of Prudential common stock may attend the special meeting in person and also may cast their votes as the special meeting. If you are not a Prudential 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 Prudential special meeting. If you plan to attend the Prudential 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.

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

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

All written notices of revocation and other communications with respect to revocation of Prudential proxies should be addressed to Prudential as follows: Sharon M. Slater, Corporate Secretary, 1834 West Oregon Avenue, Philadelphia, Pennsylvania 19145.

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

**A:** Shareholders may receive more than one set of voting materials, including multiple copies of this proxy statement 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 to ensure that you vote every share of Prudential common stock that you own.

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

**A:** No. Prudential shareholders are not entitled to appraisal or dissenters' rights.

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

**A:** Prudential and Polonia expect to complete the merger at end of the fourth quarter of 2016 or early in the first quarter of 2017. 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 Prudential shareholders at the Prudential special meeting and until we obtain certain additional approvals.

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

**A:** 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 is not completed, Prudential will remain an independent public company and its common stock will continue to be listed and traded on the Nasdaq Global Market.

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 73 for a complete discussion of the circumstances under which a termination fee will be required to be paid.

**Q: Are there any risks that I should consider in deciding whether to vote for the approval of the proposal to issue shares of Prudential common stock?**

Yes. You should read and carefully consider the risk factors set forth in the section entitled “Risk Factors” beginning on page 27 of this proxy statement. 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. See the section entitled “Where You Can Find More Information” beginning on page 118 of this proxy statement.

**Q: Whom should I call with questions about the special meeting or the proposal to issue shares of Prudential common stock?**

**A:** If you have additional questions about the share issuance proposal, the merger, need assistance in submitting your proxy or voting your shares of Prudential common stock, or need additional copies of this proxy statement or the enclosed proxy card, please contact Sharon M. Slater, Prudential’s Corporate Secretary, at 215-755-1500 or sslater@prudentialsavingsbank.com.

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**SUMMARY**

*This summary highlights selected information from this proxy statement. 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 Prudential shareholders, and the voting procedures for the Prudential special meeting of shareholders. See “Where You Can Find More Information” on page 118. Each item included in this summary refers to the page of this proxy statement where that subject is discussed in more detail.*

**The Parties to the Merger (page 78)**

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 June 30, 2016, Prudential had total assets of \$556.3 million, total deposits of \$386.6 million and stockholders’ equity of \$113.1 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 June 30, 2016, Polonia had total assets of \$284.3 million, total deposits of \$183.3 million and stockholders' equity of \$37.4 million.

**The Merger and the Merger Agreement (pages 41 and 60)**

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, which has been received, and the approval of the Prudential shareholders of the issuance of shares of Prudential common stock. We currently expect to complete these mergers at the end of the fourth quarter of 2016 or early in the first quarter of 2017. The merger agreement is attached to this proxy statement 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 60)**

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 proration 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 Hypothetical Closing Prices	Polonia Common Stock		Hypothetical Implied Value(*)
	Cash Election: Cash Consideration Per Share	OR Stock Election: Stock Consideration Per Share Shares of Prudential Common Stock	
\$ 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 Global 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**

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**

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.

**The Merger Is Intended to Be Tax-Free to Polonia Shareholders as to the Shares of Prudential Common Stock They Receive (page 75)**

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.

Table of Contents**Comparative Market Prices of Securities (page 115)**

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 November 10, 2016, the last practicable trading day before the distribution of this proxy statement. 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.

	Prudential Common Stock	Implied Value of One Share of Polonia Common Stock	Value of the Cash Consideration for One Share of Polonia Common Stock
At June 1, 2016	\$ 14.91	\$ 11.32	\$ 11.28
At November 10, 2016	\$ 14.77	\$ 11.21	\$ 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 74)**

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 Prudential Shareholders (page 37)**

Prudential plans to hold the Prudential special meeting on December 19, 2016, at 11:00 a.m., Eastern time, at 1834 West Oregon Avenue, Philadelphia, Pennsylvania. At the Prudential special meeting, Prudential shareholders will be asked to approve the issuance of shares of Prudential common stock to Polonia shareholders in connection with the merger and to approve a proposal to allow the Prudential special meeting to be adjourned, if necessary or appropriate, to permit the solicitation of additional proxies in favor of the issuance of the shares of Prudential common stock in connection with the merger.

Prudential shareholders may vote at the Prudential special meeting if they owned Prudential common stock at the close of business on November 10, 2016, which is the record date for the Prudential special meeting. As of that date, there were approximately 8,045,544 shares of Prudential common stock outstanding and entitled to vote. Prudential shareholders are entitled to cast one vote for each share of Prudential common stock owned on the record date.

As of the record date for the Prudential special meeting, Prudential's directors and executive officers and their affiliates held 226,268 shares of Prudential common stock, excluding shares that may be acquired upon the exercise of outstanding stock options.

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

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**Prudential’s Board of Directors Recommends That Prudential Shareholders Vote “FOR” Approval of the Issuance of Share of Prudential Common Stock in Connection with the Merger (page 44)**

Prudential’s board of directors has approved the merger agreement and the transactions contemplated thereby, including the merger, and recommends that Prudential shareholders vote “FOR” approval of the issuance of shares of Prudential common stock to holders of Polonia common stock as provided in the merger agreement, and “FOR” the proposal to allow the Prudential special meeting to be adjourned, if necessary or appropriate, to permit the solicitation of additional proxies in favor of the issuance of the shares of Prudential common stock in connection with the merger.

**Opinion of Prudential’s Financial Advisor (page 45)**

Sandler O’Neill & partners, L.P or Sandler O’Neill, Prudential’s financial advisor, delivered its opinion, dated June 1, 2016, to Prudential’s board of directors to the effect that, as of the date of the opinion and subject to the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O’Neill as set forth in such opinion, Prudential’s acquisition of all of the outstanding and common stock of Polonia, in exchange for Prudential’s common stock and cash was fair to Prudential from a financial point of view.

The full text of the written opinion of Sandler O’Neill, dated June 1, 2016, which sets forth the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O’Neill in connection with its opinion, is attached as Annex B to this proxy statement. Sandler O’Neill’s opinion was for the information of, and directed to, Prudential’s board of directors (in its capacity as such) in connection with its consideration of the financial terms of the merger. The Sandler O’Neill opinion is not a recommendation as to how any holder of Prudential’s common stock should vote with respect to the proposal to approve the issuance of shares of Prudential common stock in connection with merger or any other matter. The Sandler O’Neill 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. Prudential does not expect that it will request an updated opinion from Sandler O’Neill. Sandler O’Neill will receive a fee for its services, including rendering the fairness opinion, in connection with the merger.

**Ownership of Prudential Common Stock Following the Merger**

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.



**Prudential Shareholders Do Not Have Dissenters' Rights in the Merger (page 58)**

Prudential's shareholders do not have dissenters' rights of appraisal in connection with the merger or the issuance of shares of Prudential common stock as provided by the terms of the merger agreement.

**Prudential and Polonia Have Agreed When and How Polonia Can Consider Third-Party Acquisition Proposals (page 70)**

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

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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 three 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.

**Merger Requires the Approval of Prudential Shareholders of the Issuance of Shares of Prudential Common Stock and the Approval and Adoption of the Merger Agreement by Polonia Shareholders (page 39)**

Approval of the issuance of the shares of Prudential common stock in connection with the merger requires the affirmative vote of the holders of a majority of the votes cast by holders of Prudential common stock entitled to vote at the Prudential special meeting.

As of the record date for the Prudential special meeting, Prudential's directors and executive officers beneficially owned approximately 226,268 shares, excluding shares that may be acquired upon the exercise of options, representing approximately 2.8% of the shares entitled to vote at the Prudential's special meeting.

Polonia's shareholders approved the adoption of the merger agreement at a special meeting of shareholders of Polonia held on October 25, 2016.

**Conditions That Must Be Satisfied or Waived for the Merger to Occur (page 72)**

Currently, Prudential and Polonia expect to complete the merger at the end of the fourth quarter of 2016 or the early part of the first quarter of 2017. As more fully described elsewhere in this proxy statement 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 (which has been obtained);

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 has received all required regulatory approvals of federal and state banking authorities and none of such approvals included non-standard conditions;

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;

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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 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 Global Market of the shares of Prudential common stock to be issued in connection with the merger which requires, as condition thereof, the approval of the issuance of shares of Prudential common stock by Prudential's shareholders;

the exercise of dissenters' rights by holders of Polonia common stock not exceeding 15% of the issued and outstanding shares of Polonia (no Polonia shareholders exercised such rights);

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.

**Termination of the Merger Agreement (page 72)**

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; 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 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

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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 73)**

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 entered into an acquisition agreement with respect to the superior proposal;

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: 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.

**Regulatory Approvals Required for the Merger (page 57)**

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 the filing of applications and notifications to obtain the required regulatory approvals. The required approvals from the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Pennsylvania Department of Banking and Securities have been received.

**Litigation Relating to the Merger (page 58)**

Polonia and Polonia's directors are named as defendants in two lawsuits that are pending in connection with the merger. Prudential is also named as a defendant in one of these lawsuits. See "The Merger—Litigation" beginning on page 58 for more information.

**Risk Factors (page 27)**

You should consider all the information contained in or incorporated by reference into this proxy statement in deciding how to vote for the proposals presented in this proxy statement. 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 nine months ended June 30, 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 beginning at page F-1. See the section entitled “Where You Can Find More Information” beginning on page 118.

The unaudited pro forma information gives effect to the merger as if the merger had been effective on September 30, 2015 or June 30, 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.

	Prudential Historical	Polonia Historical	Pro Forma Combined	Per Equivalent Polonia Share (3)
For nine months ended June 30, 2016:				
Earnings (Loss) Per Share (1)				
Basic earnings per share	\$ 0.23	\$ (0.24 )	\$ 0.04	\$ 0.03
Diluted earnings per share	\$ 0.23	\$ (0.24 )	\$ 0.04	\$ 0.03
Cash Dividends Per Share (2)	\$ 0.09	\$ —	\$ 0.09	\$ 0.07
Book Value per common share as of June 30, 2016	\$ 14.03	\$ 11.18	\$ 13.74	\$ 10.43



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.

	Prudential Historical	Polonia Historical	Pro Forma Combined	Per Equivalent Polonia Share (3)
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
<b>Book Value per common share as of September 30, 2015</b>	<b>\$ 13.85</b>	<b>\$ 11.19</b>	<b>\$ 13.28</b>	<b>\$ 10.08</b>

(1) Polonia's fiscal year ends on December 31. To calculate basic and diluted earnings per share for the nine months ended June 30, 2016, Polonia added the earnings per share for the quarter ended December 31, 2015 to the earnings per share for the six months ended June 30, 2016. To calculate earnings per share for the year ended 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 nine months ended June 30, 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 nine months ended June 30, 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 nine months ended June 30, 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 June 30, 2016</b>	<b>At September 30, 2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(Dollars in Thousands)</b>					
Selected Financial and Other Data:						
Total assets	\$ 556,290	\$487,189	\$525,483	\$607,897	\$490,504	\$499,537
Cash and cash equivalents	38,572	11,272	45,382	158,984	81,273	53,829
Investment and mortgage-backed securities:						
Held-to-maturity	15,488	66,384	80,840	83,732	63,110	108,956
Available-for-sale	138,683	77,483	57,817	41,781	65,975	75,370
Loans receivable, net	342,459	312,633	321,063	306,517	260,684	240,511
Deposits	386,640	365,074	391,025	542,748	425,602	436,014
FHLB advances	50,227	—	340	340	483	570
Non-performing loans	16,092	13,932	5,880	6,634	14,018	12,631
Non-performing assets	16,299	14,801	6,240	7,040	15,990	14,899
Total stockholders' equity, substantially restricted	113,066	117,001	129,425	59,912	59,831	57,452

	<b>For the Nine Months Ended June 30,</b>		<b>Year Ended September 30,</b>				
	<b>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>						
Selected Operating Data:							
Total interest income	\$12,896	\$12,599	\$16,680	\$16,465	\$16,773	\$18,979	\$21,685
Total interest expense	2,473	2,623	3,430	3,401	4,344	5,779	7,097
Net interest income	10,423	9,976	13,250	13,064	12,429	13,200	14,588
Provision (recovery) for loan losses	225	585	735	240	(500 )	725	4,630
Net interest income after provision (recovery) for loan losses	10,198	9,391	12,515	12,824	12,929	12,475	9,958

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Total non-interest income	883	2,783	3,008	1,111	1,774	3,068	938
Total non-interest expense	8,507	9,869	13,175	11,465	11,250	11,668	10,996
Income (loss) before income taxes	2,574	2,305	2,348	2,470	3,453	3,875	(100 )
Income tax expense (benefit)	836	86	116	690	1,698	1,282	(212 )
Net income	\$1,738	\$2,219	\$2,232	\$1,780	\$1,755	\$2,593	\$112
Basic earnings per share	\$0.23	\$0.26	\$0.27	\$0.20	\$0.19	\$0.27	\$0.01
Diluted earnings per share	\$0.23	\$0.26	\$0.26	\$0.19	\$0.19	\$0.27	\$0.01
Dividends paid per common share	\$0.09	\$0.24	\$0.27	\$0.06	\$0.00	0.00	\$0.10

**Selected Operating Ratios(1):**

Average yield earned on interest-earning assets	3.40	%	3.37	%	3.38	%	3.28	%	3.60	%	3.96	%	4.42	%
Average rate paid on interest-bearing liabilities	0.81		0.91		0.90		0.89		1.04		1.33		1.58	
Average interest rate spread(2)	2.59		2.46		2.49		2.39		2.56		2.63		2.84	
Net interest margin(2)	2.74		2.67		2.69		2.61		2.67		2.76		2.97	
Average interest-earning assets to average interest-bearing liabilities	124.74		128.93		128.72		130.51		111.15		110.29		109.41	
Net interest income after provision for loan losses to non-interest expense	119.88		95.16		94.99		111.85		114.92		106.92		90.55	
Total non-interest expense to total average assets	2.15		2.46		2.56		2.21		2.25		2.33		2.15	
Efficiency ratio(3)	75.24		77.35		81.04		80.88		79.21		71.72		70.83	
Return on average assets	0.44		0.88		0.43		0.34		0.35		0.52		0.02	
Return on average equity	2.00		3.36		1.77		1.38		3.00		4.43		0.20	
Average equity to average total assets	21.94		24.60		24.39		24.79		12.20		11.71		10.90	

*(Footnotes on next page)*

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	At or For the Nine Months Ended June 30,		At or For the Year Ended September 30,				
	2016	2015	2015	2014	2013	2012	2011
<b>Asset Quality Ratios(4):</b>							
Non-performing loans as a percent of total loans receivable(5)	4.70	% 4.87	% 4.46	% 1.83	% 2.16	% 5.38	% 5.25
Non-performing assets as a percent of total assets(5)	2.93	3.07	3.04	1.19	1.16	3.26	2.98
Allowance for loan losses as a percent of non-performing loans	21.31	17.30	21.03	41.24	35.47	13.42	26.63
Allowance for loan losses as a percent of total loans	0.95	0.83	0.93	0.75	0.77	0.71	1.63
Net charge-offs to average loans receivable	-0.03	0.21	0.07	0.05	-0.35	0.88	1.90
<b>Capital Ratios(4)(6):</b>							
Tier 1 leverage ratio							
Company	20.35	% 23.90	% 23.73	% 22.39	% 12.54	% 11.73	% 11.06
Bank	18.02	18.66	19.50	17.95	11.81	10.95	10.23
Tier 1 common risk-based capital ratio							
Company	40.53	52.64	50.63	N/A	N/A	N/A	N/A
Bank	35.98	41.11	41.66	N/A	N/A	N/A	N/A
Tier 1 risk-based capital ratio							
Company	40.20	52.92	50.63	57.21	26.69	27.51	25.54
Bank	35.60	41.40	41.65	40.52	25.15	25.69	23.62
Total risk-based capital ratio							
Company	41.40	54.14	51.98	58.28	27.72	28.39	26.79
Bank	36.85	42.62	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.

(2) Average interest rate spread represents the difference between the average yield earned on interest-earning assets 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.

(5) 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.

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. The information as of and for the year ended December 31, 2013 is derived from Polonia's audited financial statements which are not included in this proxy statement. The financial data as of and for the six months ended June 30, 2016 and 2015 has been derived from Polonia's unaudited consolidated financial statements. The information at June 30, 2016 and for the six months ended June 30, 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 six months ended June 30, 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 Six Months</b>		<b>December 31,</b>		
	<b>Ended June 30,</b>		<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>2016</b>	<b>2015</b>			
(In thousands, except per share data)					
Financial Condition Data:					
Total assets	\$284,258	\$291,454	\$291,611	\$308,350	\$306,176
Loans receivable, net	168,175	173,638	160,493	197,679	182,050
Deposits	183,314	190,876	188,222	199,554	201,322
FHLB Advances – short-term	7,000	—	—	—	—
FHLB Advances – long-term	49,000	56,000	56,000	59,000	59,000
Stockholders' equity	37,434	39,023	37,501	36,940	38,417
Operating Data:					
Interest income	4,626	5,288	10,213	11,342	10,732
Interest expense	1,516	1,592	3,153	3,210	2,589
Net interest income	3,110	3,696	7,060	8,132	8,143
Provision for loan losses	—	73	73	210	574
Net interest income after provision for loan losses	3,110	3,623	6,987	7,922	7,569
Non-interest income	794	2,281	4,130	4,654	5,577
Non-interest expense	4,326	5,848	11,185	12,506	13,512
Income (loss) before income taxes	(422 )	56	(68 )	70	(366 )
Provision (benefit) for income taxes	(130 )	29	70	53	(120 )
Net income (loss)	\$(292 )	\$27	\$(138 )	\$17	\$(246 )
Per common share:					
Book value	\$11.18	\$11.70	\$11.20	\$11.08	\$10.94
Basic and diluted earnings (loss)	(0.09 )	0.01	(0.04 )	0.01	(0.07 )



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	<b>At or For the Six Months Ended</b>		<b>At December 31,</b>			
	<b>June 30, 2016</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	
(In thousands, except per share data)						
<b>Performance Ratios (1):</b>						
Return on average assets	(0.20 )%	0.02 %	(0.05 )%	0.01 %	0.09 %	
Return on average equity	(1.52 )	0.14	(0.35 )	0.04	(0.60 )	
Net interest margin (2)	2.28	2.62	2.52	2.84	3.13	
<b>Asset Quality Ratios (3):</b>						
Allowance for loan losses as a percent of total loans	0.79 %	0.78 %	0.79 %	0.71 %	0.75 %	
Allowance for loan losses as a percent of non-performing loans	59.06	49.05	56.26	63.36	71.40	
Non-performing loans as a percent of total loans	1.33	1.59	1.40	1.12	1.05	

(1) Performance ratios for the six-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 June 30, 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 at the end of the fourth quarter of 2016 or early in the first quarter of 2017. 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 \$14.10 as of June 30, 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 June 30, 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 nine months ended June 30, 2016, Polonia added the operating results for Polonia's quarter ended December 31, 2015 to the operating results for Polonia's six months ended June 30, 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 June 30, 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	\$ 38,572	\$ 15,409	\$ (19,163	) (1)	\$ 34,818
Investments AFS	138,683	84,133	—		222,816
Investments HTM	15,488	—	—		15,488
Loans and Leases	345,728	169,420	(3,495	) (2)	511,653
Allowance for loan and lease losses	(3,269	) (1,245	) 1,245	(3)	(3,269
Net loans	342,459	168,175	(2,250	)	508,384
Premises and equipment	1,419	3,899	3,228	(4)	8,546
Accrued interest receivable	1,763	698	—		2,461
Deferred income taxes	476	2,112	2,042	(5)	4,630
Bank owned life insurance	12,973	4,245	—		17,218
Federal Home Loan Bank stock	2,387	3,515	—		5,902
Goodwill	—	—	1,421	(6)	1,421
Intangible assets	—	—	1,288	(7)	1,288
Other assets	2,070	2,072	—		4,142
<b>Total assets</b>	<b>\$ 556,290</b>	<b>\$ 284,258</b>	<b>\$ (13,434</b>	<b>)</b>	<b>\$ 827,114</b>
<b>Liabilities</b>					
<b>Deposits:</b>					
Non-interest-bearing	\$ 2,832	\$ 6,098	\$ —		\$ 8,930
Interest-bearing	383,808	172,216	1,191	(8)	562,215
<b>Total deposits</b>	<b>386,640</b>	<b>183,314</b>	<b>1,191</b>		<b>571,145</b>
FHLB advances	50,227	56,000	2,167	(9)	108,394
Other liabilities	6,357	7,510	5,466	(10)	19,333
<b>Total liabilities</b>	<b>443,224</b>	<b>246,824</b>	<b>8,824</b>		<b>698,872</b>
<b>Stockholders' Equity</b>					
Preferred stock	—	—	—		—
Common stock	113,066	37,434	(22,258	) (11)	128,242
<b>Total stockholders' equity</b>	<b>113,066</b>	<b>37,434</b>	<b>(22,258</b>	<b>)</b>	<b>128,242</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 556,290</b>	<b>\$ 284,258</b>	<b>\$ (13,434</b>	<b>)</b>	<b>\$ 827,114</b>
<b>Book value</b>	<b>\$ 14.03</b>	<b>\$ 11.18</b>			<b>\$ 13.74</b>
<b>Tangible book value</b>	<b>\$ 14.03</b>	<b>\$ 11.18</b>			<b>\$ 13.45</b>

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

Assumes that the merger was completed on June 30, 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 \$19.2 million reflects the estimated payment of the cash portion of the merger consideration.  
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.
- (2) 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.
- (3) 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.
- (4) The \$3.2 million purchase accounting adjustment on premises brings the carrying value of the premises Polonia owns to their estimated fair value.  
The \$1.2 million increase in the deferred tax asset is associated with the fair value adjustments related to the
- (5) 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 (6) 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 \$14.10 as of June 30, 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	\$ 17,922
Cash consideration for Polonia common stock	18,887
Cash consideration for Polonia options	275
Purchase price as of June 30, 2016	\$ 37,084
Polonia's net assets:	
Polonia's stockholders' equity	37,434
Costs paid by Polonia prior to closing, net of taxes	(495 )
Polonia's stockholders' equity, net of transaction costs	36,939
Fair value adjustments:	
Loans	(2,250 )
Premises and equipment	3,228
Core deposit intangible	1,288
Interest-bearing deposits	(1,191 )
FHLB advances	(2,167 )
Tax effect of fair value adjustment	371
Capitalized costs	(555 )
Total adjustments of net assets acquired	(1,276 )
Fair value of assets acquired	35,663
Estimated goodwill	\$ 1,421

The \$1.3 million adjustment is the estimated fair value of Polonia's core deposit base, primarily (7) non-interest-bearing 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 \$1.2 million purchase accounting adjustment on interest-bearing deposits, primarily certificates of deposit, (8) 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 \$2.2 million purchase accounting adjustment on Federal Home Loan Bank advances brings their carrying (9) value 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.

(10) Represents \$5.5 million payable as a result of the merger, \$4.8 million of such amount is related to Prudential's obligations while the remaining \$750,000 relates to Polonia's obligations.

(11) 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:

**(In Thousands)**

Value of common stock to be issued	\$ 17,922	
Polonia stockholders' equity	(36,939	)
Prudential merger expenses	(3,241	)
Total	\$ (22,258	)

Table of Contents**UNAUDITED COMBINED CONDENSED CONSOLIDATED PRO FORMA STATEMENT OF INCOME****(Unaudited)****For the Nine Months Ended June 30, 2016****(Dollars in Thousands, Except Per Share Data)**

	<b>Nine Months Ended June 30, 2016</b>			
	<b>Prudential</b>	<b>Polonia</b>	<b>Adjustments</b>	<b>(1) Pro Forma</b>
Interest income:				
Interest on loans	\$9,489	\$5,822	\$ 207	(2) \$15,518
Interest on mortgage-backed securities	1,868	619	—	2,487
Interest and dividends on investments	1,517	543	—	2,060
Interest on interest-bearing assets	22	15	—	37
Total interest income	12,896	6,999	207	20,102
Interest expense:				
Interest on deposits	2,177	1,215	(596	)(2) 2,797
Interest on borrowings	296	1,077	574	(2) 799
Total interest expense	2,473	2,292	(1,169	) 3,596
Net interest income	10,423	4,707	1,376	16,506
Provision for loan losses	225	—	—	225
<b>Net interest income after provision for loan losses</b>	<b>10,198</b>	<b>4,707</b>	<b>1,376</b>	<b>16,281</b>
Non-interest income:				
Fees and other service charges	371	72	—	443
Gain on sale of loans	2	88	—	90
Gain on sale of investment securities	161	641	—	802
Income from bank owned life insurance	251	(15	) —	236
Other	98	145	—	243
Total non-interest income	883	931	—	1,814
Non-interest expense:				
Salaries and employees benefits	5,071	3,003	—	8,074
Data processing	340	314	—	654
Professional services	750	559	—	1,309
Office occupancy	753	931	—	1,684

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Directors compensation	351	75	—	426
Deposit insurance	306	381	—	687
Advertisings	55	23	—	78
Other	881	1,408	121	(3) 2,410
Total non-interest expense	8,507	6,694	121	(4) 15,322
Income (loss) before income taxes	2,574	(1,056)	) 1,255	(5) 2,773
Income taxes (benefit)	836	(294)	) 427	969
Net income (loss)	\$1,738	\$(762)	) \$ 828	\$1,804
Earnings (loss) per share – basic	\$0.23	\$(0.24)	)	\$0.21
Earnings (loss) per share – diluted	\$0.23	\$(0.23)	)	\$0.20
Weighted average common shares outstanding:				
Basic	7,442,956	3,171,945		8,714,003
Diluted	7,653,081	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 nine months ended June 30, 2016 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 continued 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.  
 Prudential expects to incur approximately \$3.1 million, on an after-tax basis, in total transaction costs as a result of  
 (4) 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):  
 (5) Reflects the tax impact of the pro forma acquisition adjustments at Prudential's statutory income tax rate of 34.0%.

	<b>(In Thousands)</b>
Professional fees	\$ 555
Legal reserve	750
Other related expenses	1,655
Data processing termination and conversion costs	1,950
Estimated pre-tax transaction costs	4,910
Less related tax benefit	(1,669 )
Estimated transaction costs, net of taxes	\$ 3,241

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</b>	<b>(1) Pro Forma</b>
Interest income:				
Interest on Loans	\$12,760	\$9,003	\$ 276	(2) \$22,039
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 asset	118	30	—	148
Total interest income	16,680	10,685	276	27,641
Interest expense:				
Interest on deposits	3,430	1,722	(794	)(2) 4,358
Interest on borrowings	-	1,474	(765	)(2) 709
Total interest expense	3,430	3,196	(1,559	) 5,067
Net interest income	13,250	7,489	1,835	22,574
Provision for loan losses	735	184	—	919
Net interest income after provision for loan losses	12,515	7,305	1,835	21,655
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 investment 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	1,674		4,544
Income taxes	116	221	569	(5)	906
Net income	\$2,232	\$301	\$ 1,105		\$3,638
Earnings per share – basic	\$0.27	\$0.10			\$0.38
Earnings per share – diluted	\$0.26	\$0.09			\$0.40
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
- (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 continued 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.

Prudential expects to incur approximately \$3.1 million, on an after-tax basis, in total transaction costs as a result of (4) 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):

(5) Reflects the tax impact of the pro forma acquisition adjustments at Prudential's statutory income tax rate of 34.0%.

	<b>(In Thousands)</b>
Professional fees	\$ 555
Legal reserve	750
Other related expenses	1,655
Data processing termination and conversion costs	1,950
Estimated pre-tax transaction costs	4,910
Less related tax benefit	(1,669 )
Estimated transaction costs, net of taxes	\$ 3,241

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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, 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.*

**Risk Factors Related to the Merger**

*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 78. 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 and referred to under “Where You Can Find More Information” beginning on page 118.

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

Prudential has not obtained an updated opinion as of the date of this proxy statement 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. Sandler O’Neill’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. Prudential’s board of directors’

recommendation that Prudential shareholders vote “FOR” approval of the proposals relating to the issuance of the shares of Prudential common stock, however, is made as of the date of this proxy statement. Prudential does not currently anticipate asking its financial advisor to update its opinion.

Please see “The Merger – Opinion of Prudential’s Financial Advisor” beginning on page 45 for information regarding the opinion of Prudential’s financial advisor. Please see “The Merger – Background and Reasons for the Merger,” and “The Merger – Prudential’s Reasons for the Merger; Recommendation of Prudential’s Board of Directors” beginning on page 41 and page 44, respectively, for a discussion of additional factors considered by Prudential’s board of directors in determining to recommend that shareholders approve the proposal relating to the issuance of shares of Prudential common stock to Polonia shareholders in 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

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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.

***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 Prudential at its special meeting. Prudential 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 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;



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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;

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.

***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 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 Data” beginning on page [•]for additional information regarding these financial statements.

***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

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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 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 74 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, 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.

***In connection with the announcement of the merger agreement, two lawsuits have been filed and are pending, seeking, among other things, to enjoin the merger, and an adverse judgment in either of these lawsuits may prevent the merger from becoming effective within the expected time frame (if at all).***

A putative shareholder derivative and class action lawsuit, *Parshall v. Eugene Andruczyk et al.*, was filed in the Circuit Court for Montgomery County, Maryland, on July 21, 2016. The lawsuit names as defendants the directors of Polonia, Polonia and Prudential. The lawsuit alleges a breach of fiduciary duty by approving the merger agreement for inadequate merger consideration and the inclusion of preclusive deal protection measures in the merger agreement and that the registration statement as filed on July 22, 2016 failed to disclose material information related to the transaction. The lawsuit also alleges that Prudential aided and abetted the alleged breaches of fiduciary duty. A second

putative class action lawsuit, captioned *Baron v. Eugene Andruczyk et al.*, No. V424400, was filed in the Circuit Court for Montgomery County, Maryland on August 29, 2016. The lawsuit names as defendants the directors of Polonia and Polonia. The lawsuit alleges a breach of fiduciary duty by failing to disclose material information related to the transaction in the registration statement as filed on July 22, 2016. The relief sought in both lawsuits includes preliminary and permanent injunction against the consummation of the merger, rescission or rescissory damages if the merger is completed, costs and attorney's fees. The defendants vigorously deny the claims alleged by the plaintiffs in the two suits. On October 6, 2016, solely to avoid the costs of protracted litigation and any potential delay of the merger, Polonia, Prudential and the director defendants entered into a memorandum of understanding with the respective plaintiffs regarding the settlement of the two suits. Pursuant to the memorandum of understanding, Prudential and Polonia filed with the SEC and made publicly available to shareholders of Polonia the supplemental disclosures with regard to the litigation, Polonia agreed to waive the prohibition in the nondisclosure agreements entered into by Polonia with potential interested parties with respect to a party subject thereto being prohibited from asking Polonia to waive the standstill provisions that require such party to refrain from pursuing various actions that relate to acquisition of control of Polonia without the prior written consent of the Polonia board of directors during the specified time period, Prudential agreed to waive the enforcement of the provision in the merger agreement prohibiting Polonia from waiving the foregoing restriction contained in the nondisclosure agreements, and the parties have agreed to provide each other with customary mutual releases concerning the claims related to the merger agreement and the merger, including the initiation and the prosecution of any litigation, subject to approval of the Circuit Court. Additional suits arising out of or relating to the proposed transaction may be filed in the future. If additional similar complaints are filed, absent new or different allegations

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that are material, Polonia and Prudential will not necessarily announce such additional filings. See “The Merger—Litigation” on page 58.

**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, 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.

### **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. See the section entitled "Where You Can Find More Information" beginning on page 118 for the location of information incorporated by reference into this proxy statement.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Certain of the statements contained in this proxy statement 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, 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 Prudential 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 in 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. 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 or incorporated documents might not occur and you should not put undue reliance on any forward-looking statements.

Prudential cautions 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.

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

The following table sets forth information as to the Prudential common stock beneficially owned, as of November 10, 2016, 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 Prudential to be the beneficial owner of more than 5% of the issued and outstanding Prudential common stock, (ii) each director of Prudential, (iii) certain executive officers of Prudential and (iv) all directors and executive officers of Prudential as a group.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership as of November 10, 2016(1)(2)	Percent of Common Stock
Prudential Savings Bank Employee Stock Ownership Plan 1834 West Oregon Avenue Philadelphia, Pennsylvania 19145	697,270	(3) 8.7 %
Firefly Value Partners, LP 601 West 26 <sup>th</sup> Street Suite 1520 New York, New York 10001	475,250	(4) 5.9 %
Warren A. Mackey 40 Worth Street, 10 <sup>th</sup> Floor New York, New York 10013	871,204	(5) 10.8 %
Maltese Capital Management LLC 150 East 52 <sup>nd</sup> Street 30 <sup>th</sup> Floor New York, New York 10022	440,178	(6) 5.5 %
Lawrence B. Seidman 100 Misty Lane, 1st Floor Parsippany, New Jersey 07054	672,800	(7) 8.4 %
Directors:		
Jerome R. Balka, Esq.	64,933	(8)(9) *
A. J. Fanelli	57,171	(8)(10) *
John C. Hosier	56,880	(8)(11) *
Bruce E. Miller	50,352	(8) *
Francis V. Mulcahy	61,031	(8)(12) *
Dennis Pollack	40,999	(8)(13) *
Certain Executive Officers		
Anthony V. Migliorino	10,246	(8)(14) *
Jack E. Rothkopf	62,340	(8)(15) *
Jeffrey T. Hanuscin	18,795	(8)(16) *
	422,747	(8) 5.1 %

All Directors and Executive Officers as a group (9 persons)

\*Represents less than one percent of Prudential's outstanding common stock.

Based upon filings made pursuant to the Securities Exchange Act of 1934 and information furnished by the respective individuals. In addition, due to share repurchases by the Company, the ownership percentages reflected in the filings may differ from the percentages reflected in the table above. Furthermore, share ownership reflected on Schedules 13D and 13G may differ from what is actually held by the reporting persons as of November 10, 2016 due to changes in ownership which were not required to be reported prior to such date. Under regulations (1) promulgated pursuant to the Securities Exchange Act of 1934, shares of common stock are deemed to be beneficially owned by a person if he or she directly or indirectly has or shares (i) voting power, which includes the power to vote or to direct the voting of the shares, or (ii) investment power, which includes the power to dispose or to direct the disposition of the shares. Unless otherwise indicated, the named beneficial owner has sole voting and dispositive power with respect to the shares.

*(Footnotes continued on following page)*

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- (2) Each beneficial owner's percentage ownership is determined by assuming that options held by such person (but not those held by any other person) and that are exercisable within 60 days of November 10, 2016 have been exercised.

- (3) As of November 10, 2016, 243,734 shares held in the Prudential Savings Bank Employee Stock Ownership Plan trust had been allocated to the accounts of participating employees. Shares beneficially owned by the plan trustees, Messrs. Fanelli, Hosier and Mulcahy, do not include shares held in the trust. Under the terms of the plan, the trustees vote all allocated shares in accordance with the instructions of the participating employees. Any unallocated shares are generally required to be voted by the plan trustees in the same ratio on any matter as to those shares for which instructions are given by the participants.

- (4) Based on a Schedule 13G/A filed with the Securities and Exchange Commission on February 16, 2016 by Firefly Value Partners, LP ("Firefly Partners"), FVP GP, LLC ("FVPGP"), Firefly Management Company GP, LLC ("Firefly Management"), FVP Master Fund, L.P. ("FVP MasterFund"), Ryan Heslop and Ariel Warszawski. Firefly Partners is the investment manager of FVP Master Fund; FVP GP serves as the general partner of FVP Master Fund; and Firefly Management serves as general partner of Firefly Partners. Messrs. Heslop and Warszawski are the managing members of FVP GP and Firefly Management. FVP Master Fund directly owns the shares set forth in the Schedule 13G/A. Messrs. Heslop and Warszawski, Firefly Partners, Firefly Management and FVP GP may be deemed to share with FVP Master Fund both voting and dispositive power with respect to such shares.

- (5) Based on a Schedule 13D/A filed with the Securities and Exchange Commission on February 12, 2014 by Warren A. Mackey, Homestead Partners LP, a Delaware limited partnership, Arles Partners LP, a New York limited partnership, and Arles Advisors Inc., a New York corporation. Arles Advisors is the general partner of Homestead Partners and Arles Partners. The sole shareholder, director and executive officer of Arles Advisors is Warren A. Mackey. By virtue of his position with Arles Advisors, Mr. Mackey has the shared investment discretion and voting authority with respect to the 838,676 shares owned by Homestead Partners and Arles Partners. Arles Advisors, as general partner of Homestead Partners and Arles Partners, may be deemed to beneficially own the 838,976 shares owned by these partnerships. Mr. Mackey individually has the sole investment discretion and voting authority with respect to the 32,228 shares held for himself.

- (6) Based on a Schedule 13G/A filed with the Securities and Exchange Commission on February 10, 2016 by Maltese Capital Management LLC ("Maltese Capital") and Terry Maltese, the managing member of Maltese Capital. Maltese Capital and Mr. Maltese may be deemed to share both voting and dispositive power with respect to the shares reported in the Schedule 13G.

- (7) Based on a Schedule 13D/A filed on August 17, 2015 by Lawrence B. Seidman, Seidman and Associates L.L.C. ("SAL"), Seidman Investment Partnership, L.P. ("SIP"), Seidman Investment Partnership II, L.P. ("SIP II"), Seidman Investment Partnership III, L.P. ("SIP III"), LSBK06-08 ("LSBK"), Broad Park Investors ("Broad Park"), CBPS, L.L.C. ("CBPS"), JRBC I, LLC ("JRBC"), 2514 Multi-Strategy Fund, L.P. ("2514 MSF"), Veteri Place Corporation ("Veteri"), Sonia Seidman and Dennis Pollack (collectively, the "Seidman Group") as well as a Form 4 filed by Mr. Pollack on June 3, 2015. Mr. Seidman (i) as the manager of SAL, may be deemed the beneficial owner of the 139,347 shares owned by SAL, (ii) as the sole officer of Veteri, the corporate general partner of each of SIP and SIP II, may be deemed the beneficial owner of the 93,972 shares owned by SIP and the 130,619 shares owned by SIP II, (iii) as the

managing member of JBRC I, LLC, the co-general partner of SIPIII, may be deemed the beneficial owner of the 18,000 shares owned by SIPIII, (iv) as the sole officer of Veteri, the Trading Advisor of LSBK and CBPS, may be deemed the beneficial owner of the 59,426 shares owned by LSBK and the 70,000 shares owned by CBPS, (v) as the investment manager for each of Broad Park and 2514 MSF, may be deemed the beneficial owner of the 87,800 shares owned by Broad Park and the 27,000 shares owned by 2514 MSF, and (vi) as the husband of Sonia Seidman, may be deemed the beneficial owner of the 46,636 shares owned by Sonia Seidman. Accordingly, Seidman may be deemed the beneficial owner of an aggregate of 672,800 shares. In the foregoing capacities, Seidman has sole and exclusive investment discretion and voting authority with respect to all such shares. Mr. Pollack individually has the sole investment discretion and voting authority with regard to the 34,936 shares beneficially owned thereby included in the amount shown in the table.

*(Footnotes continued on following page)*

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Includes shares held in trust by Prudential's 2008 RRP or granted pursuant to the 2014 SIP which have been awarded to the directors and officers and stock options which have been granted to the directors and officers under Prudential's 2008 SOP or under the 2014 SIP and which are exercisable within 60 days of November 10, 2016 as follows:

<b>Name</b>	<b>Restricted Stock</b>	<b>Stock Options</b>
Jerome R. Balka, Esq.	8,000	28,690
A.J. Fanelli	8,000	32,690
John C. Hosier	10,135	30,021
Bruce E. Miller	10,137	24,683
Francis V. Mulcahy	8,000	32,690
Dennis Pollack	10,500	6,000
Anthony V. Migliorino	7,500	—
Jack E. Rothkopf	12,832	33,403
Jeffrey T. Hanuscin	5,474	8,302
All directors and executive officers as a group (9 persons)	80,578	196,479

(9) Includes 4,721 shares held in Mr. Balka's individual retirement account, 14,375 shares held jointly with Mr. Balka's spouse, 1,888 shares held in Mr. Balka's 401(k) Plan and 66 shares held by the estate of Helen Klara for whom Mr. Balka is guardian. Also includes 4,721 shares held by the Balka Grandchildren Trust and 472 shares held by the Danielle Thomas Revocable Trust, over which Mr. Balka disclaims beneficial ownership.

(10) Includes 3,304 shares held jointly with Mr. Fanelli's spouse.

(11) Includes 6,018 shares held in Mr. Hosier's account in his 401(k) plan.

(12) Includes 2,000 shares held jointly with Mr. Mulcahy's spouse and 2,832 shares held directly by Mr. Mulcahy's spouse.

(13) Includes 19,588 shares held in Mr. Pollack's individual retirement account. Mr. Pollack disclaims beneficial ownership of all of the shares owned by the Seidman Group excluding his shares.

(14) Includes 746 shares allocated to Mr. Migliorino in the Prudential Bank 401(k) Plan.

(15) Includes 7,908 shares allocated to Mr. Rothkopf's account in the Prudential Bank employee stock ownership plan, referred to as the ESOP over which Mr. Rothkopf has voting authority.

(16)

Includes 908 and 2,042 shares allocated to Mr. Hanuscin in Prudential Bank 401(k) Plan and the ESOP, respectively, over which Mr. Hanuscin has voting power.

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**prudential SPECIAL MEETING**

This proxy statement is being mailed to each Prudential shareholder, on or about November 16, 2016. Together with this proxy statement, Prudential shareholders are also receiving a notice of the special meeting of Prudential shareholders and a form of proxy that Prudential's board of directors is soliciting for use at the Prudential special meeting and at any adjournments or postponements thereof.

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

The Prudential special meeting will be held on December 19, 2016, at 11:00 a.m., Eastern time, at Prudential Bank's main office located at 1834 West Oregon Avenue, Philadelphia, Pennsylvania.

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

At the special meeting, Prudential shareholders will be asked to approve the issuance of shares of Prudential common stock to Polonia shareholders in connection with the merger and to approve a proposal to allow the Prudential special meeting to be adjourned, if necessary or appropriate, to permit the solicitation of additional proxies in favor of the issuance of the shares of Prudential common stock in connection with the merger. Prudential 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 proposal to issue shares of Prudential common stock to Polonia shareholders in the merger.

**Recommendation of Prudential's Board of Directors**

Prudential's board of directors has approved the issuance of the Prudential shares of common stock pursuant to the merger agreement and unanimously recommends that Prudential shareholders vote "FOR" approval and adoption of the proposal to issue shares of Prudential common stock to Prudential shareholders in the merger.

Prudential's board of directors also unanimously recommends that Prudential shareholders vote "FOR" approval of the proposal to allow the Prudential 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 Prudential Special Meeting**

Prudential's board of directors has fixed the close of business on November 10, 2016 as the record date for determining the Prudential shareholders entitled to receive notice of and to vote at the Prudential special meeting. Only Prudential shareholders of record as of the record date are entitled to vote at the Prudential special meeting. As of the record date, 8,045,544 shares of Prudential common stock were issued and outstanding and held by approximately 300 record holders. Prudential shareholders are entitled to one vote on each matter considered and voted on at the Prudential special meeting for each share of Prudential 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 Prudential common stock entitled to vote at the Prudential special meeting is necessary to constitute a quorum at the Prudential 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 of the issuance of the shares of Prudential common stock in connection with the merger requires the affirmative vote of a majority of the votes cast by holders of Prudential common stock entitled to vote at the Prudential special meeting. Approval of the adjournment proposal also requires the affirmative vote of a majority of the votes cast by holders of Prudential common stock entitled to vote at the Prudential special meeting. A failure to

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vote by a Prudential 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 either proposal.

As of the record date for the Prudential special meeting, Prudential directors and executive officers beneficially owned approximately 226,268 shares (excluding shares that may be acquired upon the exercise of stock options), or 2.8%, of the outstanding shares of Prudential common stock entitled to vote at the Prudential special meeting.

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

**Solicitation of Proxies for Prudential Special Meeting**

The expense of soliciting proxies for Prudential's special meeting will be paid by Prudential. Prudential'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 Prudential common stock you hold be represented at the Prudential special meeting. Whether or not you plan to attend the Prudential special meeting, Prudential's board of directors asks that all holders of Prudential common stock take the time to vote prior to the Prudential 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 Prudential 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 Prudential Special Meeting**

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

Each copy of this proxy statement delivered to Prudential 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, regardless of whether you plan to attend the Prudential 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, Prudential 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 Prudential special meeting, the shares represented by the proxy will be voted in accordance with your instructions marked on the proxy. Valid proxies delivered by Prudential shareholders that are executed but do not specify a vote on a particular matter will be voted “FOR” approval of the proposal to issue shares of Prudential common stock to Polonia shareholders in the merger and “FOR” the proposal to allow the adjournment of the Prudential special meeting, if necessary. No matters other than the matters described in this proxy statement are anticipated to be presented for action at the Prudential special meeting or at any adjournment or postponement of the Prudential special meeting. However, if other business properly comes before the Prudential special meeting, the persons named as proxies on the Prudential proxy card will, in their discretion, vote upon such matters in their best judgment.

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.

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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 Prudential common stock in “street name,” your broker, bank or other nominee will only vote your shares of Prudential 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. Prudential 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 Prudential shareholder’s right to attend the Prudential special meeting and vote in person. If you attend the Prudential special meeting and wish to vote in person, your proxy may be revoked at that time. Please note, however, that simply attending the Prudential special meeting will not revoke a previously-submitted proxy; you must cast a new vote at the Prudential special meeting in order to revoke your prior vote. If you are a Prudential 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 Prudential special meeting.

**Revocation of Proxies for Prudential Special Meeting**

A Prudential shareholder who has submitted a proxy may revoke it at any time before its exercise at the Prudential special meeting by (i) giving written notice of revocation to Prudential’s Corporate Secretary, (ii) properly submitting to Prudential a duly executed proxy bearing a later date, (iii) voting again by telephone or the Internet or (iv) attending the Prudential special meeting and voting in person. Please note, however, that simply attending the Prudential special meeting will not revoke a previously-submitted proxy; you must cast a new vote at the Prudential special meeting in order to revoke your prior vote. All written notices of revocation and other communications with respect to revocation of Prudential proxies should be addressed to Prudential as follows: Sharon M. Slater, Corporate Secretary, Prudential Bancorp, Inc., 1834 West Oregon Avenue, Philadelphia, Pennsylvania 19145.

**PRUDENTIAL PROPOSALS**

**Approval of the Issuance of Shares of Prudential Common Stock Pursuant to the Merger Agreement**

Prudential is asking its shareholders to approve the issuance shares of Prudential common stock to Polonia shareholder in the merger. Prudential shareholders should read this proxy statement carefully and in its entirety, including the Annexes, for more detailed information concerning 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 as Annex A.

**Prudential's board of directors unanimously recommends that Prudential shareholders vote "FOR" approval of the proposal to issue shares of Prudential common stock to Polonia shareholder in the merger.**

### **Adjournment Proposal**

The Prudential 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 of the proposal to issue shares of Prudential common stock to Polonia shareholders in the merger.

If, at the Prudential special meeting, the number of shares of Prudential common stock present or represented and voting in favor of approval is insufficient to approve the proposal, Prudential intends to move to adjourn the Prudential special meeting in order to solicit additional proxies for the approval. In that event, Prudential will ask its shareholders to vote on the adjournment proposal, but not the proposal to issue shares of Prudential common stock to Polonia shareholders in the merger.

In this proposal, Prudential is asking its shareholders to authorize the persons named as proxies on the Prudential proxy card on a discretionary basis to vote in favor of adjourning the Prudential special meeting to

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another time and place for the purpose of soliciting additional proxies, including the solicitation of proxies from Prudential shareholders who have previously voted.

**Prudential’s board of directors unanimously recommends that Prudential shareholders vote “FOR” approval of adjournment, if necessary or appropriate, of the meeting to permit the solicitation of additional proxies in favor of approval of the proposal to issue shares of Prudential common stock to Polonia Shareholders in the merger.**

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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, 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 Prudential special meeting, Prudential shareholders will be asked to approve the issuance of the shares of Prudential common stock to Polonia's shareholders in the merger.

**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.

Prudential has focused on building out its franchise and has considered doing so both organically as well through acquisitions. Prudential believes that shareholder value can be enhanced by, among other things, materially increasing its assets in order to achieve greater efficiencies and economies of scale. Prudential also has sought

opportunities to adjust the mix of earning assets to be more weighted towards loans, including commercial real estate loans, and less towards investment securities.

On September 15, 2015, the Polonia 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 Polonia 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 Polonia 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 Polonia 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 Polonia directors approved commencing a process to solicit interest in a business combination. FinPro discussed with the Polonia board of



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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.

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. The standstill provisions obligated the potential bidder to refrain for a specified period of time from pursuing various actions that relate to acquisition of control of Polonia without the prior written consent of the Polonia board of directors, such as making proposals to acquire Polonia, buying shares of Polonia common stock, and commencing a proxy contest. The nondisclosure agreements also contain a provision stating that a potential bidder is not permitted to ask for a waiver of the standstill provision without the prior written consent of the Polonia board of directors. Thus, absent Polonia's decision to affirmatively waive the standstill provision of any nondisclosure agreement, none of the parties to the nondisclosure agreements could approach Polonia to request a waiver of the standstill agreement to present an offer to acquire Polonia in a consensual merger or other form that might constitute a superior proposal under the terms of the merger agreement with Prudential. Polonia had not waived any of standstill provisions prior to entering into as memorandum of understanding discussed herein under "The Merger-Litigation" on page 58, as the merger agreement precludes Polonia from doing so. The merger agreement further requires Polonia to enforce any confidentiality agreement or standstill agreement to which Polonia is a party, even if the other party to such agreement intends to make a proposal that potentially could be deemed a "superior proposal" as defined in the merger agreement. Pursuant to the memorandum of understanding, Polonia agreed to waive the provisions of the nondisclosure agreement with regard to prohibiting a party to the nondisclosure agreements from asking Polonia to waive any of the standstill provisions. In addition, Prudential agreed in the memorandum of understanding that it will not enforce the prohibition contained in the merger agreement with respect to Polonia agreeing to waive the provision of the nondisclosure agreement noted above. 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.

Following Prudential's entry into the non-disclosure agreement and receipt of the Polonia confidential information memorandum, Prudential's management team met internally to discuss the information provided by Polonia and the potential acquisition opportunity. The management team's consensus was that Prudential should pursue the opportunity. Based on that discussion, Mr. Pollack contacted a representative of Sandler O'Neill to discuss Prudential engaging Sandler O'Neill to assist Prudential in pursuing a potential acquisition of Polonia. Members of Prudential's management team and Sandler O'Neill then held a series of meetings and discussions through mid-January 2016 to discuss the information provided by Polonia, the potential acquisition opportunity and related matters. During this time period Prudential prepared its preliminary non-binding indication of interest regarding a potential business combination transaction with Polonia. On January 20, 2016, at a regularly-scheduled meeting of Prudential's board of

directors, a representative of Sandler O'Neill made a presentation regarding the Polonia acquisition opportunity. Following the presentation, Prudential's board of directors discussed the Polonia acquisition opportunity and unanimously approved the submission of a preliminary non-binding indication of interest.

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 of 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

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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.

During this due diligence period, members of Prudential's management team and its financial advisor began preparation of an updated indication of interest as a result of the due diligence review that was conducted. On March 11, 2016, Prudential held a special meeting of its board of directors to discuss the terms of the proposed updated non-binding indication of interest with Sandler O'Neill, the results of the due diligence performed to date and related matters. The board of directors then unanimously approved the submission of the revised non-binding indication of interest.

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).

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 Silver, Freedman, Taff & Tiernan LLP, which we refer to as Silver Freedman, 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.

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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 1, 2016, the Prudential board of directors met to consider the proposed merger, the definitive form of merger agreement between Prudential and Polonia and additional matters related thereto, and to receive reports from its legal and financial advisors regarding the transaction, including Sandler O'Neill's analysis of the fairness of the transaction to Prudential from a financial point of view. At the meeting, the directors discussed the final terms of the merger agreement with Sander O'Neill and Silver Freedman, Prudential's legal advisor. In addition, Sandler O'Neill, presented its financial analysis of the proposed transaction and delivered to the Prudential board of directors its oral opinion, which was subsequently confirmed in writing, that, as of the date of its opinion and based upon and subject to the limitations, qualifications, factors and assumptions set forth therein, the transaction was fair to Prudential from a financial point of view. Following the presentation and further discussion among the directors and the advisors, the board of directors of Prudential adopted and approved the merger agreement and the issuance of the shares of Prudential common stock to the Polonia shareholders in connection with the merger.

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, 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 shareholders 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.

**Prudential's Reasons for the Merger; Recommendation of Prudential's Board of Directors**

Prudential believes that the acquisition of Polonia provides an excellent opportunity to increase the scale of its operations in the Philadelphia metropolitan area. In approving the merger agreement, Prudential's board of directors considered the following factors as generally supporting its decision to enter into the merger agreement:

its understanding of Prudential's business, operations, financial condition, earnings and prospects and of Polonia's business, operations, financial condition, earnings and prospects, including each of Prudential's and Polonia's positions in the Philadelphia metropolitan area;

its understanding of the current and prospective environment in which Prudential and Polonia operate, including regional and local economic conditions, the competitive environment for financial institutions generally and continuing consolidation in the financial services industry, and the future growth prospects for its market area to provide sustained business development opportunities;

the complementary nature of the respective customer bases, products and skills of Prudential and Polonia that could result in opportunities to obtain synergies as products are distributed over a broader customer base;

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the scale, scope, strength and diversity of operations, product lines and delivery systems that combining Prudential and Polonia could achieve;

the increased credit capability achieved by combining Polonia with Prudential that would enhance competitive position in the markets in which Prudential currently operates;

- the review by Prudential's board of directors, with the assistance of Prudential's management and its financial advisor, of the structure and terms of the merger, including the exchange ratio;

- the likelihood that Prudential will obtain the regulatory approvals it needs to complete the merger; and

- the merger will result in a combined entity with assets in excess of approximately \$825 million.

In the course of its deliberations, the Prudential board of directors also considered a number of potential risks and uncertainties concerning the merger, including, without limitation, the following material factors:

the potential risks associated with achieving the anticipated benefits of the merger, including business synergies and cost savings;

the possibility of encountering difficulties in successfully integrating Polonia's business, operations, and workforce with those of Prudential;

the diversion of management attention and resources from the operation of Prudential's business towards the completion of the merger; and

- the regulatory and other approvals required in connection with the merger and the risk that such regulatory approvals will not be received in a timely manner or may impose unacceptable conditions.

The foregoing discussion of the information and factors considered by Prudential's board of directors is not intended to be exhaustive, but includes the material factors considered by the Prudential board of directors. The Prudential board of directors did not consider it practicable, and did not attempt, to quantify or otherwise assign relative weights to the specific factors it considered in reaching its determination. Prudential's board of directors viewed its position as being based on all of the information and the factors presented to and considered by it. In addition, individual directors may have given different weights to different information and factors.

For the reasons set forth above, the Prudential board of directors determined that the merger, the merger agreement and the transactions contemplated by the merger agreement, including the issuance of shares of Prudential common stock to holders of Polonia common stock in connection with the merger, are advisable and in the best interests of Prudential, and all the Prudential directors participating in the meeting at which the merger was considered and voted upon voted in favor of the adoption and approval of the merger agreement and the transactions contemplated by the merger agreement including the issuance of shares of Prudential common stock to Polonia shareholders in the merger.

It should be noted that the explanation of the Prudential board of directors' reasoning in this section and certain other information included in this section is forward-looking in nature, and therefore should be read in light of the factors discussed under the heading "Cautionary Statement Regarding Forward-Looking Statements."

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

By letter dated January 15, 2016, Prudential retained Sandler O'Neill to act as an independent financial advisor to the Prudential board of directors in connection with Prudential's consideration of a possible business combination. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is advising financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Sandler O'Neill acted as financial advisor in connection with the proposed merger and participated in certain of the negotiations leading to the execution of the merger agreement. At the June 1, 2016 meeting at which the Prudential board of directors considered and discussed the terms of the merger agreement and the merger, Sandler



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O'Neill delivered to the Prudential board of directors its oral opinion, which was subsequently confirmed in writing, that, as of such date, the merger consideration was fair to Prudential from a financial point of view. **The full text of Sandler O'Neill's opinion is attached as Annex B to this proxy statement. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill 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. Holders of Prudential common stock are urged to read the entire opinion carefully in connection with their consideration of the merger agreement and the merger.**

**Sandler O'Neill's opinion speaks only as of the date of the opinion. The opinion was directed to the Prudential board of directors in connection with its consideration of the merger agreement and the merger and is directed only to the fairness, from a financial point of view, of the merger consideration to Prudential. Sandler O'Neill's opinion does not constitute a recommendation to any holder of Prudential common stock as to how such holder of Prudential common stock should vote with respect to the proposal to approve the issuance of the shares of Prudential common stock to Polonia's shareholders in the merger or any other matter. It does not address the underlying business decision of Prudential to engage in the merger, the relative merits of the merger as compared to any other alternative business strategies that might exist for Prudential or the effect of any other transaction in which Prudential might engage.** Sandler O'Neill did not express any opinion as to the fairness of the amount or nature of the compensation to be received in the merger by any Prudential or Polonia officer, director, or employee, or class of such persons, if any, relative to the amount of any compensation to be received by any other shareholder. Sandler O'Neill's opinion was approved by Sandler O'Neill's fairness opinion committee.

In connection with rendering its opinion, Sandler O'Neill reviewed and considered, among other things:

a draft of the merger agreement, dated May 31, 2016;

certain publicly available financial statements and other historical financial information of Prudential and its wholly-owned subsidiary, Prudential Savings Bank, that Sandler O'Neill deemed relevant;

certain publicly available financial statements and other historical financial information of Polonia and its wholly-owned subsidiary, Polonia Bank, that Sandler O'Neill deemed relevant;

internal financial projections for Prudential for the years ending December 31, 2016 through December 31, 2020, as provided by the senior management of Prudential;

financial projections for Polonia for the years ending December 31, 2016 through December 31, 2020, as provided by the senior management of Prudential;

the pro forma financial impact of the merger on Prudential based on assumptions relating to transaction expenses, purchase accounting adjustments, cost savings, a core deposit intangible asset as well as share repurchase assumptions for the years ending December 31, 2016 through December 31, 2020, as provided by the senior management of Prudential;

the publicly reported historical price and trading activity for Prudential and Polonia common stock, including a comparison of certain stock market information for Prudential and Polonia common stock and certain stock indices as well as similar publicly available information for certain other similar companies, the securities of which are publicly traded;

a comparison of certain financial information for Prudential and Polonia with similar institutions for which publicly available information is available;

the financial terms of certain recent business combinations in the bank and thrift industry (on a regional and nationwide basis), to the extent publicly available;

· the current market environment generally and the banking environment in particular; and

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such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler O'Neill considered relevant.

Sandler O'Neill also discussed with certain members of the senior management of Prudential the business, financial condition, results of operations and prospects of Prudential and held similar discussions with certain members of the senior management of Polonia regarding the business, financial condition, results of operations and prospects of Polonia.

In performing its review, Sandler O'Neill relied upon the accuracy and completeness of all of the financial and other information that was available to and reviewed by it from public sources, that was provided to it by Prudential or Polonia, or their respective representatives, or that was otherwise reviewed by it and Sandler O'Neill assumed such accuracy and completeness for purposes of rendering this opinion without any independent verification or investigation. Sandler O'Neill further relied on the assurances of the respective managements of Prudential and Polonia that they were not aware of any facts or circumstances that would make any of such information inaccurate or misleading. Sandler O'Neill was not asked to and has not undertaken an independent verification of any of such information and it does not assume any responsibility or liability for the accuracy or completeness thereof. Sandler O'Neill did not make an independent evaluation or perform an appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Prudential or Polonia, or any of their respective subsidiaries, nor has Sandler O'Neill been furnished with any such evaluations or appraisals. Sandler O'Neill rendered no opinion or evaluation on the collectability of any assets or the future performance of any loans of Prudential or Polonia or any of their respective subsidiaries. Sandler O'Neill did not make an independent evaluation of the adequacy of the allowance for loan losses of Prudential or Polonia, or the combined entity after the merger, and Sandler O'Neill did not review any individual credit files relating to Prudential or Polonia. Sandler O'Neill assumed, with Prudential's consent, that the respective allowances for loan losses for both Prudential and Polonia were adequate to cover such losses and will be adequate on a pro forma basis for the combined entity.

In preparing its analyses, Sandler O'Neill used internal financial projections for Prudential for the years ending December 31, 2016 through December 31, 2020, as provided by the senior management of Prudential, as well as financial projections for Polonia for the years ending December 31, 2016 through December 31, 2020, as provided by the senior management of Prudential. Sandler O'Neill also received and used in its pro forma analyses certain assumptions relating to transaction expenses, purchase accounting adjustments, cost savings, a core deposit intangible asset as well as share repurchase assumptions for the years ending December 31, 2016 through December 31, 2020, as provided by the senior management of Prudential. With respect to the foregoing information, the senior management of Prudential confirmed to us that such information reflected the best currently available projections, estimates and judgments of the senior management of Prudential and Sandler O'Neill assumed that the financial results reflected in such information would be achieved. Sandler O'Neill expressed no opinion as to such projections, estimates or judgments, or the assumptions on which they are based. Sandler O'Neill also assumed that there have been no material change in Prudential's or Polonia's (or any of their respective subsidiaries') assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to it. Sandler O'Neill assumed in all respects material to its analysis that Prudential and Polonia will remain as going concerns for all periods relevant to its analyses.

Sandler O'Neill also assumed, with Prudential's consent, that (i) each of the parties to the Agreement will comply in all material respects with all material terms and conditions of the Agreement and all related agreements, that all of the representations and warranties contained in such agreements are true and correct in all material respects, that each of the parties to such agreements will perform in all material respects all of the covenants and other obligations required to be performed by such party under such agreements and that the conditions precedent in such agreements are not and will not be 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 will be imposed that would have an adverse effect on Prudential, Polonia or the merger or any related transaction, (iii) the merger and any related transactions will 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, (iv) the merger will be consummated without Polonia's rights under Section 11.1.7 of the Agreement having been triggered, and (v) the merger will qualify as a tax-free reorganization for federal income tax purposes. Finally, with Prudential's consent, Sandler O'Neill relied upon the advice that Prudential has received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the merger and the other transactions contemplated by the merger agreement.

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Sandler O’Neill’s opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of, the date hereof. Events occurring after the date hereof could materially affect this opinion. Sandler O’Neill has not undertaken to update, revise, reaffirm or withdraw this opinion or otherwise comment upon events occurring after the date hereof. Sandler O’Neill expressed no opinion as to the trading values of Prudential common stock or Polonia common stock at any time or what the value of Prudential common stock will be once it is actually received by the holders of Polonia common stock.

In rendering its opinion, Sandler O’Neill performed a variety of financial analyses. The summary below is not a complete description of all of the analyses underlying Sandler O’Neill’s opinion or the presentation made by Sandler O’Neill to the Prudential board of directors, but is a summary of the material analyses performed and presented by Sandler O’Neill. The summary includes information presented in tabular format. **In order to fully understand 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.** 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. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O’Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses to be 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. Also, no company included in Sandler O’Neill’s comparative analyses described below is identical to Prudential or Polonia and no transaction is identical to the merger. Accordingly, 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 Prudential and Polonia and the companies to which they are being compared. In arriving at its opinion, Sandler O’Neill did not attribute any particular weight to any analysis or factor that it considered. Rather, Sandler O’Neill made qualitative judgments as to the significance and relevance of each analysis and factor. Sandler O’Neill 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, Sandler O’Neill 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, Sandler O’Neill 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 Prudential, Polonia and Sandler O’Neill. The analyses performed by Sandler O’Neill were not necessarily indicative of actual values or future results, both of which may be significantly more or less favorable than suggested by such analyses. Sandler O’Neill prepared its analyses solely for purposes of rendering its opinion and provided such analyses to the Prudential board of directors at its June 1, 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, Sandler O’Neill’s analyses do not necessarily reflect the value of Prudential common stock or the prices at which Prudential or Polonia common stock may be sold at any time. The analyses of Sandler O’Neill and its opinion were among a number of factors taken into consideration by the Prudential board of directors in making its determination to adopt the merger agreement and authorize and approve the merger and the issuance of the shares of Prudential common stock in the merger and the analyses described below should not be viewed as determinative of the decision

of the Prudential board of directors or management with respect to the fairness of the merger.

***Summary of Proposed Merger Consideration and Implied Transaction Metrics.*** Sandler O'Neill reviewed the financial terms of the merger. Pursuant to the terms of the merger agreement, upon the effective time of the merger, each share of Polonia common stock, \$0.01 par value per share, except for certain shares of Polonia common stock as specified in the merger agreement, shall be converted into the right to receive, at the election of the holder thereof and subject to the adjustments and procedures set forth in the merger agreement, either (a) \$11.28 in cash, without interest, or (b) 0.7591 shares of Prudential common stock, par value \$0.01 per share. Based upon Prudential's 20 consecutive trading day closing price average of \$14.86 as of June 1, 2016, Sandler O'Neill calculated an aggregate implied transaction value of approximately \$38.1 million, or \$11.28 per share. The aggregate implied transaction value was calculated assuming, at the direction of the senior managements of Prudential and Polonia, 3,348,827 outstanding shares of Polonia common stock and 140,454 in-the-money options outstanding with a weighted average exercise

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price of \$9.32 as of June 1, 2016. Based upon financial information for Polonia as of or for the period ending March 31, 2016 (unless otherwise indicated), Sandler O'Neill calculated the following implied transaction metrics:

Transaction Price / Tangible Book Value Per Share:	101 %
Transaction Price / Last Twelve Months Earnings Per Share <sup>1</sup> :	NM
Tangible Book Premium / Core Deposits <sup>2</sup> :	0.4 %
One-Day Market Premium <sup>3</sup> :	8.4 %

- 1) Not meaningful due to negative earnings per share over the time period.
- 2) Core deposits defined as total deposits, less time deposit accounts with a balance of at least \$100,000.
- 3) Polonia common stock closing price of \$10.41 per share as of June 1, 2016.

**Stock Trading History.** Sandler O'Neill reviewed the history of the publicly reported trading prices of Prudential common stock and Polonia common stock for the three-year period ended June 1, 2016. Sandler O'Neill then compared the relationship between the movements in the prices of Prudential and Polonia common stock, respectively, to movements in their respective peer groups (as described on pages 49 and 51) as well as certain stock indices.

**Prudential's Three-Year Stock Performance**

	<b>Beginning Value</b>		<b>Ending Value</b>	
	<b>June 1, 2013</b>		<b>June 1, 2016</b>	
Prudential	100	%	160.7	%
NASDAQ Bank Index	100	%	134.6	%
S&P 500 Index	100	%	128.7	%
Prudential Peer Group	100	%	118.4	%

**Polonia's Three-Year Stock Performance**

	<b>Beginning Value</b>		<b>Ending Value</b>	
	<b>June 1, 2013</b>		<b>June 1, 2016</b>	
Polonia	100	%	114.4	%
NASDAQ Bank Index	100	%	134.6	%
S&P 500 Index	100	%	128.7	%
Polonia Peer Group	100	%	124.4	%

**Comparable Company Analysis.** Sandler O’Neill used publicly available information to compare selected financial information for Prudential with a group of financial institutions selected by Sandler O’Neill. The Prudential peer group consisted of publicly traded thrifts headquartered in the Mid-Atlantic region with assets between \$300 million and \$1.0 billion (the “Prudential Peer Group”). The Prudential Peer Group consisted of the following companies:

Bay Bancorp, Inc.	MSB Financial Corp.
Carver Bancorp, Inc.	Pathfinder Bancorp, Inc.
Elmira Savings Bank	Severn Bancorp, Inc.
Hamilton Bancorp, Inc.	Standard Financial Corp.
Harleysville Savings Financial Corporation	WVS Financial Corp.
Malvern Bancorp, Inc.	

The analysis compared publicly available financial information for Prudential with the corresponding data for the Prudential Peer Group as of or for the period ending March 31, 2016 (unless otherwise indicated), with pricing data as of June 1, 2016. The table below sets forth the data for Prudential and the median, mean, high and low data for the Prudential Peer Group.



Table of Contents**Comparable Company Analysis**

	<b>Prudential</b>	<b>Prudential Peer Group</b>			
		<b>Median</b>	<b>Mean</b>	<b>Low</b>	<b>High</b>
Total assets (in millions)	\$ 538	\$560	\$575	\$338	\$765
Tangible common equity/Tangible assets	20.90 %	9.68 %	10.38 %	1.32 %	20.14 %
Last Twelve Months Return on average assets	0.20 %	0.49 %	0.44 %	(0.03) %	0.77 %
Last Twelve Months Return on average equity	0.85 %	4.34 %	3.96 %	(0.15) %	7.80 %
Last Twelve Months Net interest margin	2.69 %	3.02 %	3.02 %	1.63 %	4.57 %
Last Twelve Months Efficiency ratio	88.4 %	79.1 %	78.0 %	63.3 %	98.4 %
Loan loss reserves/Gross loans	0.93 %	0.93 %	0.97 %	0.49 %	1.42 %
Non-performing assets <sup>1</sup> /Total assets	3.27 %	1.60 %	1.76 %	0.08 %	4.43 %
Net charge-offs/Average loans	(0.05) %	0.08 %	0.16 %	0.00 %	1.15 %
Price / Tangible book value	107 %	99 %	106 %	73 %	162 %
Price / Last Twelve Months Earnings Per Share	NM	18.3x	21.6 x	14.0 x	34.5 x
Current Dividend Yield	0.8 %	0.0 %	1.3 %	0.0 %	4.7 %
Last Twelve Months Dividend Ratio	207.7 %	0.0 %	19.4 %	0.0 %	77.3 %
Market value (in millions)	\$ 120	\$56	\$57	\$13	\$108

1) Nonperforming assets include nonaccrual loans and leases, renegotiated loans and leases and real estate owned.

Notes:

Financial data as of December 31, 2015 for Carver Bancorp, Inc.

LLR/Gross Loans as of December 31, 2015 for Hamilton Bancorp, Inc.

Price / Last twelve Months Earnings Per Share not meaningful (NM) for Hamilton Bancorp, Inc. and MSB Financial Corp.

NM indicates either a negative value or a value greater than 40x

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Sandler O’Neill used publicly available information to perform a similar analysis for Polonia and a group of financial institutions selected by Sandler O’Neill. The Polonia peer group consisted of publicly traded thrifts headquartered in the Mid-Atlantic and Northeast regions with assets between \$125 million and \$500 million (the “Polonia Peer Group”). The Polonia Peer Group consisted of the following companies:

Bay Bancorp, Inc.	MSB Financial Corp.
Delanco Bancorp, Inc.	Patriot Federal Bank
Georgetown Bancorp, Inc.	PB Bancorp, Inc.
Guaranty Bancorp, Inc.	Pilgrim Bancshares, Inc.
Hamilton Bancorp, Inc.	Quaint Oak Bancorp, Inc.
MB Bancorp, Inc.	Standard Financial Corp.
Melrose Bancorp, Inc.	WVS Financial Corp.

The analysis compared publicly available financial information for Polonia with the corresponding data for the Polonia Peer Group as of or for the period ending March 31, 2016 (unless otherwise indicated), with pricing data as of June 1, 2016. The table below sets forth the data for Polonia and the median, mean, high and low data for the Polonia Peer Group.

**Comparable Company Analysis**

	Polonia	Polonia Peer Group			
		Median	Mean	Low	High
Total assets (in millions)	\$ 288	\$322	\$311	\$129	\$498
Tangible common equity/Tangible assets	13.02 %	13.70 %	13.79 %	8.38 %	24.24 %
Last Twelve Months Return on average assets	(0.37 )%	0.25 %	0.28 %	0.00 %	0.76 %
Last Twelve Months Return on average equity	(2.86 )%	1.65 %	2.32 %	0.01 %	6.21 %
Last Twelve Months Net interest margin	2.30 %	3.06 %	3.00 %	1.66 %	4.18 %
Last Twelve Months Efficiency ratio	120.9 %	84.8 %	84.4 %	62.9 %	117.4 %
Loan loss reserves/Gross loans	0.73 %	0.94 %	0.95 %	0.38 %	1.56 %
Non-performing assets <sup>1</sup> /Total assets	1.24 %	1.44 %	1.73 %	0.00 %	4.91 %
Net charge-offs/Average loans	0.06 %	0.01 %	0.12 %	(0.12)%	1.15 %
Price / Tangible book value	93 %	88 %	88 %	49 %	118 %
Price / Last Twelve Months Earnings Per Share	NM	22.5 x	22.8 x	6.9 x	37.8 x
Current Dividend Yield	0.0 %	0.0 %	0.5 %	0.0 %	1.8 %
Last Twelve Months Dividend Ratio	0.0 %	0.0 %	12.7 %	0.0 %	78.7 %
Market value (in millions)	\$ 35	\$33	\$38	\$9	\$77

1) Nonperforming assets include nonaccrual loans and leases, renegotiated loans and leases and real estate owned.

Notes:

Excludes Colombo Bank due to low average daily trading volume

Financial data as of December 31, 2015 used for Guaranty Bancorp, Inc., Delanco Bancorp, Inc. and Patriot Federal Bank

(Notes continued on next page)

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Bank regulatory data used for LLR/Gross Loans for Hamilton Bancorp, Inc. and for NPAs/Total Assets for PB Bancorp, Inc. and Guaranty Bancorp

NM indicates either a negative value or a value greater than 40x

***Analysis of Selected Merger Transactions.*** Sandler O’Neill reviewed two groups of recent merger and acquisition transactions consisting of a national group as well as a regional group. The national group consisted of nationwide bank and thrift transactions announced between January 1, 2015 and June 1, 2016 with reported deal values and where the target’s total assets were between \$100 million and \$750 million (the “Nationwide Precedent Transactions”). The regional group consisted of bank and thrift transactions where the targets were located in the Mid-Atlantic region, announced between January 1, 2015 and June 1, 2016 with reported deal values and where the target’s total assets were between \$150 million and \$500 million (the “Regional Precedent Transactions”).

The Nationwide Precedent Transactions group was composed of the following transactions:

<b>Acquiror</b>	<b>Target</b>
Avadian CU	American Bank of Huntsville
Beneficial State Foundation	Pan American Bank
Coastal Banking Co.	First Avenue National Bank
First Citizens BancShares Inc.	Cordia Bancorp Inc.
First National Bankers Bankshares Inc	Independent Bankers' Bank of FL
Hamilton Bancorp Inc	Fraternity Community Bancorp
Heartland Financial USA Inc.	First Scottsdale Bank NA
Investor group	Stonebridge Bank
Investor group	Brickell Bank
National Bank Holdings Corp.	Pine River Bank Corp.
OceanFirst Financial Corp.	Colonial American Bank
Pacific Continental Corp.	Foundation Bancorp Inc.
Private Investor- William P. Butler	American Founders Bank Inc.
Robertson Holding Co. L.P.	National Bank of Tennessee
Royal Financial Inc.	Park Bancorp Inc.
United Community Banks Inc.	Tidelands Bancshares Inc
Wintrust Financial Corp.	Suburban Illinois Bancorp Inc

Using the latest publicly available information prior to the announcement of the relevant transaction, Sandler O’Neill reviewed the following transaction metrics: transaction price to book value per share, transaction price to tangible book value per share, tangible book premium to core deposits, and 1-day market premium. Sandler O’Neill compared the indicated transaction metrics for the merger to the median, mean, high and low metrics of the Nationwide Precedent Transactions group.

	<b>Prudential / Polonia</b>		<b>Nationwide Precedent Transactions</b>							
			<b>Median</b>		<b>Mean</b>		<b>Low</b>		<b>High</b>	
Transaction price/Book value per share:	101	%	99	%	85	%	6	%	141	%
Transaction price/Tangible book value per share:	101	%	99	%	85	%	6	%	141	%
Core deposit premium:	0.4	%	2.6	%	3.0	%	0.1	%	5.5	%
1-Day market premium:	7.4	%	59.7	%	79.8	%	14.6	%	225.0	%

Source: SNL Financial

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The Regional Precedent Transactions group was composed of the following transactions:

<b>Acquiror</b>	<b>Target</b>
Bay Bancorp Inc.	Hopkins Bancorp Inc.
Cathay General Bancorp	Asia Bancshares Inc.
Citizens Financial Services	First National Bank of Frederick
DNB Financial Corp.	East River Bank
ESSA Bancorp Inc.	Eagle National Bancorp Inc.
Hamilton Bancorp Inc	Fraternity Community Bancorp
Howard Bancorp Inc.	Patapsco Bancorp Inc.
Lakeland Bancorp	Harmony Bank
Lakeland Bancorp	Pascack Bancorp Inc.
NexTier Inc.	Eureka Financial Corp
Northfield Bancorp Inc.	Hopewell Valley Community Bank
Norwood Financial Corp.	Delaware Bancshares Inc.
Preferred Bank	United International Bank
Revere Bank	BlueRidge Bank
WSFS Financial Corp.	Alliance Bancorp of Penn

Using the latest publicly available information prior to the announcement of the relevant transaction, Sandler O'Neill reviewed the following transaction metrics: transaction price to last-twelve-months earnings per share, transaction price to book value per share, transaction price to tangible book value per share, tangible book premium to core deposits, and 1-day market premium. Sandler O'Neill compared the indicated transaction metrics for the merger to the median, mean, high and low metrics of the Regional Precedent Transactions group.

	<b>Prudential / Polonia</b>	<b>Regional Precedent Transactions</b>			
		<b>Median</b>	<b>Mean</b>	<b>Low</b>	<b>High</b>
Transaction price/LTM earnings per share:	NM	22.4 x	25.9 x	6.1 x	50.8 x
Transaction price/Book value per share:	101	% 125	% 124	% 66	% 167
Transaction price/Tangible book value per share:	101	% 125	% 128	% 98	% 167
Core deposit premium:	0.4	% 3.4	% 5.4	% 0.1	% 17.1
1-Day market premium:	7.4	% 31.3	% 37.9	% 14.6	% 68.5

Note: NM indicates either a negative value or a value greater than 40x

**Net Present Value Analyses.** Sandler O'Neill performed an analysis that estimated the net present value per share of Prudential common stock, assuming that Prudential performed in accordance with internal financial projections for Prudential for the years ending September 30, 2016 through 2020, as provided by the senior management of Prudential. To approximate the terminal value of Prudential common stock at September 30, 2020, Sandler O'Neill

applied price to 2020 earnings multiples ranging from 14.0x to 21.5x and multiples of September 30, 2020 tangible book value ranging from 80% to 130%. The terminal values were then discounted to present values using different discount rates ranging from 9.0% to 15.0% when applied to 2020 earnings multiples and 9.0% to 15.0% when applied to multiples of September 30, 2020 tangible book value, which were chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Prudential common

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stock. As illustrated in the following tables, the analysis indicated an imputed range of values per share of Prudential common stock of \$4.24 to \$7.95 when applying earnings multiples and \$7.42 to \$14.93 when applying multiples of tangible book value.

Earnings Per Share Multiples

<b>Discount Rate</b>		<b>14.0x</b>	<b>15.5x</b>	<b>17.0x</b>	<b>18.5x</b>	<b>20.0x</b>	<b>21.5x</b>
9.0	%	\$5.35	\$5.87	\$6.39	\$6.91	\$7.43	\$7.95
10.0	%	\$5.14	\$5.64	\$6.14	\$6.64	\$7.14	\$7.64
11.0	%	\$4.94	\$5.42	\$5.90	\$6.38	\$6.87	\$7.35
12.0	%	\$4.76	\$5.22	\$5.68	\$6.14	\$6.60	\$7.06
13.0	%	\$4.58	\$5.02	\$5.46	\$5.91	\$6.35	\$6.79
14.0	%	\$4.41	\$4.83	\$5.26	\$5.69	\$6.11	\$6.54
15.0	%	\$4.24	\$4.65	\$5.06	\$5.47	\$5.88	\$6.29

Tangible Book Value Multiples

<b>Discount Rate</b>		<b>80%</b>	<b>90%</b>	<b>100%</b>	<b>110%</b>	<b>120%</b>	<b>130%</b>
9.0	%	\$9.38	\$10.49	\$11.60	\$12.71	\$13.82	\$14.93
10.0	%	\$9.02	\$10.08	\$11.15	\$12.21	\$13.28	\$14.34
11.0	%	\$8.66	\$9.69	\$10.71	\$11.73	\$12.76	\$13.78
12.0	%	\$8.33	\$9.31	\$10.29	\$11.28	\$12.26	\$13.24
13.0	%	\$8.01	\$8.96	\$9.90	\$10.84	\$11.79	\$12.73
14.0	%	\$7.71	\$8.62	\$9.52	\$10.43	\$11.34	\$12.24
15.0	%	\$7.42	\$8.29	\$9.16	\$10.04	\$10.91	\$11.78

Sandler O'Neill also considered and discussed with the Prudential board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O'Neill performed a similar analysis assuming Prudential's net income varied from 25% above projections to 25% below projections. This analysis resulted in the following range of per share values for Prudential common stock, applying the price to 2020 earnings multiples range of 14.0x to 21.5x referred to above and a discount rate of 13.99%.

Earnings Per Share Multiples



<b>Annual Estimate Variance</b>	<b>14.0x</b>	<b>15.5x</b>	<b>17.0x</b>	<b>18.5x</b>	<b>20.0x</b>	<b>21.5x</b>
(25.0 )%	\$3.41	\$3.73	\$4.05	\$4.37	\$4.69	\$5.01
(20.0 )%	\$3.61	\$3.95	\$4.30	\$4.64	\$4.98	\$5.32
(15.0 )%	\$3.81	\$4.17	\$4.54	\$4.90	\$5.26	\$5.62
(10.0 )%	\$4.01	\$4.39	\$4.78	\$5.16	\$5.55	\$5.93
(5.0 )%	\$4.21	\$4.61	\$5.02	\$5.42	\$5.83	\$6.24
0.0 %	\$4.41	\$4.84	\$5.26	\$5.69	\$6.11	\$6.54
5.0 %	\$4.61	\$5.06	\$5.50	\$5.95	\$6.40	\$6.85
10.0 %	\$4.81	\$5.28	\$5.74	\$6.21	\$6.68	\$7.15
15.0 %	\$5.01	\$5.50	\$5.99	\$6.48	\$6.97	\$7.46
20.0 %	\$5.20	\$5.72	\$6.23	\$6.74	\$7.25	\$7.76
25.0 %	\$5.40	\$5.94	\$6.47	\$7.00	\$7.54	\$8.07

Sandler O'Neill performed an analysis that estimated the net present value per share of Polonia common stock, assuming that Polonia performed in accordance with internal financial projections for Polonia for the years ending September 30, 2016 through 2020, as provided by the senior management of Prudential and included assumptions related to after-tax cost savings, as provided by the senior management of Prudential ("Polonia Adjusted

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NPV Analysis”). To approximate the terminal value of Polonia common stock at September 30, 2020, Sandler O’Neill applied price to 2020 earnings multiples ranging from 12.0x to 22.0x and multiples of September 30, 2020 tangible book value ranging from 70% to 120%. The terminal values were then discounted to present values using different discount rates ranging from 9.0% to 15.0% when applied to 2020 earnings multiples and 9.0% to 15.0% when applied to multiples of September 30, 2020 tangible book value, which were chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Polonia common stock. As illustrated in the following tables, the analysis indicated an imputed range of values per share of Polonia common stock of \$8.99 to \$21.27 when applying earnings multiples and \$5.84 to \$12.92 when applying multiples of tangible book value.

Earnings Per Share Multiples (Polonia Adjusted NPV Analysis)

<b>Discount Rate</b>		<b>12.0x</b>	<b>14.0x</b>	<b>16.0x</b>	<b>18.0x</b>	<b>20.0x</b>	<b>22.0x</b>
9.0	%	\$11.60	\$13.54	\$15.47	\$17.40	\$19.34	\$21.27
10.0	%	\$11.11	\$12.96	\$14.81	\$16.66	\$18.52	\$20.37
11.0	%	\$10.64	\$12.42	\$14.19	\$15.96	\$17.74	\$19.51
12.0	%	\$10.20	\$11.90	\$13.60	\$15.30	\$17.00	\$18.70
13.0	%	\$9.78	\$11.41	\$13.04	\$14.66	\$16.29	\$17.92
14.0	%	\$9.38	\$10.94	\$12.50	\$14.06	\$15.63	\$17.19
15.0	%	\$8.99	\$10.49	\$11.99	\$13.49	\$14.99	\$16.49

Tangible Book Value Multiples (Polonia Adjusted NPV Analysis)

<b>Discount Rate</b>		<b>70%</b>	<b>80%</b>	<b>90%</b>	<b>100%</b>	<b>110%</b>	<b>120%</b>
9.0	%	\$7.54	\$8.61	\$9.69	\$10.77	\$11.84	\$12.92
10.0	%	\$7.22	\$8.25	\$9.28	\$10.31	\$11.34	\$12.37
11.0	%	\$6.91	\$7.90	\$8.89	\$9.88	\$10.86	\$11.85
12.0	%	\$6.63	\$7.57	\$8.52	\$9.46	\$10.41	\$11.36
13.0	%	\$6.35	\$7.26	\$8.17	\$9.07	\$9.98	\$10.89
14.0	%	\$6.09	\$6.96	\$7.83	\$8.70	\$9.57	\$10.44
15.0	%	\$5.84	\$6.68	\$7.51	\$8.35	\$9.18	\$10.02

Sandler O’Neill also considered and discussed with the Prudential board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O’Neill performed a similar analysis, assuming Polonia’s net income varied from 25% above projections to 25% below projections for the Polonia Adjusted NPV Analysis. This analysis resulted in the following range of per share values for Polonia common stock, applying the price to 2020 earnings multiples range of 12.0x to 22.0x referred to above and a discount rate of 13.99%.



Table of Contents**Earnings Per Share Multiples (Polonia Adjusted NPV Analysis)**

<b>Annual Estimate</b>		<b>12.0x</b>	<b>14.0x</b>	<b>16.0x</b>	<b>18.0x</b>	<b>20.0x</b>	<b>22.0x</b>
<b>Variance</b>							
(25.0	)%	\$7.03	\$8.21	\$9.38	\$10.55	\$11.72	\$12.90
(20.0	)%	\$7.50	\$8.75	\$10.01	\$11.26	\$12.51	\$13.76
(15.0	)%	\$7.97	\$9.30	\$10.63	\$11.96	\$13.29	\$14.62
(10.0	)%	\$8.44	\$9.85	\$11.26	\$12.66	\$14.07	\$15.48
(5.0	)%	\$8.91	\$10.40	\$11.88	\$13.37	\$14.85	\$16.34
0.0	%	\$9.38	\$10.94	\$12.51	\$14.07	\$15.63	\$17.20
5.0	%	\$9.85	\$11.49	\$13.13	\$14.77	\$16.41	\$18.06
10.0	%	\$10.32	\$12.04	\$13.76	\$15.48	\$17.20	\$18.92
15.0	%	\$10.79	\$12.58	\$14.38	\$16.18	\$17.98	\$19.78
20.0	%	\$11.26	\$13.13	\$15.01	\$16.88	\$18.76	\$20.64
25.0	%	\$11.72	\$13.68	\$15.63	\$17.59	\$19.54	\$21.50

In connection with its analyses, Sandler O’Neill considered and discussed with the Prudential board of directors how the present value analyses would be affected by changes in the underlying assumptions. Sandler O’Neill noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

**Pro Forma Merger Analysis.** Sandler O’Neill analyzed certain potential pro forma effects of the merger, based on the following assumptions: (i) the merger closes on December 31, 2016 and (ii) 100% of the outstanding shares of Polonia common are converted into the right to receive either (a) \$11.28 in cash, or (b) 0.7591 shares of Prudential common stock. Sandler O’Neill also utilized assumptions, as provided by the senior management of Prudential, relating to (a) estimated transaction expenses, (b) purchase accounting adjustments, (c) cost savings, (d) a core deposit intangible asset and (e) Prudential share repurchase assumptions for the years ending September 30, 2016 through September 30, 2020. The analysis indicated that the merger could be accretive to Prudential’s estimated earnings per share in 2018 (the first full-year after the estimated closing of the transaction), excluding transaction expenses, and dilutive to estimated tangible book value per share at close.

In connection with this analysis, Sandler O’Neill considered and discussed with the Prudential board of directors how the analysis would be affected by changes in the underlying assumptions, including the impact of final purchase accounting adjustments determined at the closing of the transaction, and noted that the actual results achieved by the combined company may vary from projected results and the variations may be material.

***Sandler O'Neill's Relationship.*** Sandler O'Neill is acting as Prudential's financial advisor in connection with the merger and Prudential has agreed to pay Sandler O'Neill a fee for such services in an amount equal to \$280,000, which fee is contingent upon the closing of the merger. Sandler O'Neill also received a fee from Prudential in an amount equal to \$75,000 upon rendering its opinion, which opinion fee will be credited in full towards the fee that will become payable on the day of closing of the merger. Prudential has also agreed to indemnify Sandler O'Neill against certain liabilities arising out of Sandler O'Neill's engagement and to reimburse Sandler O'Neill for certain of its out-of-pocket expenses incurred in connection with its engagement.

In the two years preceding the date of its opinion, Sandler O'Neill did not provide any other investment banking services to, or receive any compensation for such services from, Prudential, nor did Sandler O'Neill provide any investment banking services to, or receive any compensation for such services from, Polonia during the two year period preceding the date of Sandler O'Neill's opinion. In the ordinary course of its business as a broker-dealer, Sandler O'Neill may purchase securities from or sell securities to Prudential, Polonia or their respective affiliates. Sandler O'Neill may also actively trade the securities of Prudential, Polonia or their respective affiliates for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

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**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 except as noted below.

Kevin J. Gallagher, who currently serves as chief lending officer of Polonia, upon completion of the merger and subsidiary bank merger, will become Prudential Bank's senior vice president-chief lending officer. Subsequent to entry into the merger agreement, Prudential Bank offered to appoint and Mr. Gallagher accepted the offer to become Prudential Bank's chief lending officer upon completion of the merger and the bank merger. His annual salary will remain the same as it is currently with Polonia Bank (\$150,000) and he will not receive a new employment or severance agreement with Prudential Bank. It is expected that his existing employment agreement will be terminated in connection with the completion of the bank merger and subsidiary bank merger and he will be entitled to receive, to the extent prior regulatory approval has been granted, the severance payment provided by such agreement.

**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 the Nasdaq Global Market.

**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, which we refer to as the Federal Reserve Board, Federal Deposit Insurance Corporation and the Pennsylvania Department of Banking and Securities as well as various other regulatory authorities. Prudential and Polonia have completed 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 are subject to 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 Federal Reserve Board, the Federal Deposit Insurance Corporation and the Pennsylvania Department of Banking and Securities have approved the applications submitted thereto. None of such approvals included any non-customary terms or conditions.

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.

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### **Dissenters' Rights**

Prudential shareholders are not entitled to appraisal or dissenters' rights. While 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, no shareholders of Polonia have chosen to exercise their dissenters' rights of appraisal under Maryland law.

### **Litigation**

A putative shareholder derivative and class action lawsuit, *Parshall v. Eugene Andruczyk et al.*, was initially filed in the Circuit Court for Montgomery County, Maryland, Case No. 423219-v, on July 21, 2016. The lawsuit names as defendants the directors of Polonia, Polonia and Prudential. The lawsuit alleges a breach of fiduciary duty by approving the merger agreement for inadequate merger consideration and the inclusion of preclusive deal protection measures in the merger agreement and that the registration statement as filed on July 22, 2016 failed to disclose material information related to the transaction. The lawsuit also alleges that Prudential aided and abetted the alleged breaches of fiduciary duty. A second putative class action lawsuit, captioned *Baron v. Eugene Andruczyk et al.*, No. V424400, was filed in the Circuit Court for Montgomery County, Maryland on August 29, 2016. The lawsuit names as defendants the directors of Polonia and Polonia. The lawsuit alleges a breach of fiduciary duty by failing to disclose material information related to the transaction in the registration statement as filed on July 22, 2016. The relief sought includes preliminary and permanent injunction against the consummation of the merger, rescission or rescissory damages if the merger is completed, costs and attorney's fees.

On October 6, 2016, solely to avoid the costs of protracted litigation and any potential delay of the merger, Polonia, Prudential and the Polonia director defendants entered into a memorandum of understanding with the respective plaintiffs regarding the settlement of the two lawsuits. Pursuant to the memorandum of understanding, Prudential and Polonia filed with the SEC and made publicly available to shareholders of Polonia certain supplemental disclosures, Polonia agreed to waive the prohibition in the nondisclosure agreements entered into by Polonia with potential interested parties with respect to a party subject thereto being prohibited from asking Polonia to waive the standstill provisions that require such party to refrain from pursuing various actions that relate to acquisition of control of Polonia without the prior written consent of the Polonia board of directors during the specified time period, Prudential agreed to waive the enforcement of the provision in the merger agreement prohibiting Polonia from waiving the foregoing restriction contained in the nondisclosure agreements, and the parties agreed to provide each other with customary mutual releases concerning the claims related to the merger agreement and the merger, including the initiation and the prosecution of any litigation, subject to approval of the Circuit Court.

If the Circuit Court approves the settlement contemplated in the memorandum of understanding, both the Parshall lawsuit and the Baron lawsuit will be dismissed with prejudice, and all claims that were or could have been brought



challenging any aspect of the merger, the merger agreement, and any disclosure made in connection therewith will be released and barred. Under the terms of the memorandum, counsel for the plaintiffs have reserved the right to seek an award of attorneys' fees and expenses. The defendants have reserved the right to contest the amount of any fee and expense petition that plaintiffs may pursue. The amount of any fees and expense awarded, if any, will ultimately be determined and approved by the court, and will not affect the amount of merger consideration to be paid by Prudential. Polonia or its successor or insurer will pay any fees and expenses potentially awarded by the court. In the memorandum, the parties also have agreed to negotiate in good faith to prepare a stipulation of settlement to be filed with the court and other documentation as may be required to effectuate the settlement. Pursuant to the memorandum of understanding, plaintiffs' counsel is permitted to conduct reasonable confirmatory discovery as plaintiffs' counsel believes in good faith is reasonably appropriate and necessary and as agreed to by the parties to confirm the fairness and reasonableness of the terms of the Settlement. There can be no assurance that the parties ultimately will enter into a stipulation of settlement or that the court will approve the settlement even if the parties were to enter into such stipulation. The proposed settlement contemplated by the memorandum of understanding will become void in the event that the parties do not enter into such stipulation or the Circuit Court does not approve the settlement.

Prudential and the other defendants deny all of the allegations in the lawsuits and believe the disclosures previously included in the proxy statement provided to the Polonia shareholders and the provisions of the nondisclosure agreements and the merger agreement are appropriate under the law. Nevertheless, Prudential and the other defendants agreed to settle the putative class action lawsuits in order to avoid the costs, disruptions and distraction of further litigation.

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Prudential and the other defendants have vigorously denied, and continue to vigorously deny, that they have committed or aided and abetted in the commission of any violation of law or engaged in any of the wrongful acts that were alleged in the lawsuits, and expressly maintain that, to the extent applicable, they diligently and scrupulously complied with their fiduciary and other legal burdens and entered into the memorandum of understanding solely to eliminate the burden and expense of further litigation and to put the claims that were or could have been asserted to rest.

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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 as Annex A and is incorporated by reference into this proxy statement. 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 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 at the end of the fourth quarter of calendar 2016 or early in the first quarter of calendar 2017, 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.

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 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.

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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:

(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

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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. At September 30, 2016, Polonia's consolidated stockholders' equity was approximately \$37,093,000. This amount does not reflect any adjustments as provided in accordance with the terms of the merger agreement as described above.

**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 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.



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**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 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.

### **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.

### **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.

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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. No Polonia shareholders gave notice of an intent to dissent prior to Polonia's special meeting of shareholders can exercise their dissenters' rights and thus no Polonia shareholders.

**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.

**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;

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.	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.

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 and in the documents incorporated by reference into this proxy statement.

**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

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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 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;



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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 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;

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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;

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.

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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;

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 to 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, 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.

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**Polonia Shareholder Meeting**

Polonia held a special meeting of its shareholders on October 25, 2016 to consider and vote on the adoption and approval of the merger agreement. At the special meeting the adoption of the merger agreement was approved by Polonia's shareholders.

**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



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

## **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 for Polonia’s special meeting.

## **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

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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 (which has occurred);
- 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 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 Global Market 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:

- 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; 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, 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;

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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:

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

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(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.

**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.

## **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. 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



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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 a particular Polonia shareholder may be complex and will depend on such shareholder’s specific situation and on factors that are not within Prudential’s and Polonia’s control.

**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 is a part, Silver Freedman, 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. The discussion below of the material United States federal income tax consequences of the merger, serves, insofar as such discussion constitutes statements of United States federal income tax law or legal conclusions, as the opinion of each of Silver Freedman and Kilpatrick Townsend as to the material United States federal income tax consequences of the merger to the U.S. holders of Polonia common stock. 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. 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 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

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as a result of the merger and U.S. holders of Polonia common stock will have the following federal income tax consequences:

if a Polonia shareholder receives solely shares of Prudential common stock in the merger, upon exchanging such shareholder's Polonia common stock for Prudential common stock, the shareholder 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 a Polonia shareholder receives solely cash consideration in the merger, such shareholder will recognize gain or loss upon surrendering such shareholder's Polonia common stock in an amount equal to the difference between the amount of cash that the shareholder receives and such shareholder's aggregate adjusted tax basis in the shares of Polonia common stock that the shareholder surrenders; and

if a Polonia shareholder receives both cash consideration (other than cash received instead of a fractional share of Prudential common stock) and stock consideration in the merger, (1) the shareholder will not recognize any loss upon surrendering such shareholder's Polonia common stock, and (2) the shareholder will recognize gain upon surrendering such shareholder's Polonia common stock equal to the lesser of (a) the excess, if any, of (i) the sum of the amount of cash that the shareholder receives plus the fair market value (determined as of the effective time of the merger) of the Prudential common stock that the shareholder receives over (ii) such shareholder's aggregate adjusted tax basis in the shares of Polonia common stock that the shareholder surrenders, and (b) the amount of cash consideration that the shareholder receives.

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 the Polonia shareholder's 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 the shareholder's ratable share of Polonia's accumulated earnings and profits, as calculated for U.S. federal income tax purposes. For purposes of determining whether the Polonia shareholder's receipt of cash has the effect of a distribution of a dividend, the shareholder will be treated as if the shareholder first exchanged all of such shareholder's Polonia common stock solely in exchange for Prudential common stock and then Prudential immediately redeemed a portion of that stock for the cash that the shareholder 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 the shareholder 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 the shareholder is considered to have owned immediately before the deemed

redemption to the percentage of the outstanding stock of Prudential that the shareholder owns 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 the Polonia shareholder's holding period for the 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 the shareholder at the long-term capital gains rate, provided the shareholder held the

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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 the shareholder will recognize a capital gain or dividend income as a result of the Polonia shareholder's 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.

The aggregate tax basis of the Prudential common stock that the Polonia shareholder receives in the merger, including any fractional shares deemed received and redeemed for cash as described below, will equal such shareholder's aggregate adjusted tax basis in the shares of Polonia common stock that the shareholder surrenders 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. A Polonia shareholder's holding period for the shares of Prudential common stock that the shareholder receives in the merger (including any fractional share deemed received and redeemed for cash as described below) will include such shareholder's holding period for the shares of Polonia common stock that the shareholder surrenders in the merger. If the shareholder 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. The basis and holding period of each block of Prudential common stock a Polonia shareholder receives 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 cap