Press Release

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PRUDENTIAL BANCORP, INC. ANNOUNCES SECOND QUARTER FISCAL 2021 RESULTS

Philadelphia, Pennsylvania (April 23, 2021) – Prudential Bancorp, Inc. (the "Company") (Nasdaq:PBIP), the holding company for Prudential Bank (the "Bank"), reported net income of $1.7 million, or $0.22 per basic share and $0.21 per diluted share, for the quarter ended March 31, 2021 as compared to $2.9 million, or $0.33 per basic share and $0.32 per diluted share, for the same quarter in fiscal 2020. For the six months ended March 31, 2021, the Company reported net income of $3.6 million, or $0.44 per basic share and $0.44 per diluted share as compared to $5.4 million, or $0.61 per basic and $0.60 per diluted share, for the same period in fiscal 2020. The 2020 periods included significant gains on sales of investment securities available for sale.

Dennis Pollack, President and CEO, commented, "We are glad to be able to report continued positive operating results. We are also pleased to report improvement in both our net interest margin and interest rate spread, but we recognize the need for additional improvement. We continue to evaluate and implement strategies to enhance shareholder value including stock repurchase programs and the maintenance of our regular quarterly dividend, but with a focus on protecting our capital in these uncertain times."

Highlights for the Quarter Ended March 31, 2021

- Net loans receivable increased by $32.6 million to $620.9 million at March 31, 2021 compared to $588.3 million at September 30, 2020.
- The net interest margin improved to 2.08% for the three months ended March 31, 2021 compared to 1.89% for the three months ended March 31, 2020 and 2.02% for the three months ended December 31, 2020.
- The Company repurchased 204,311 shares of its common stock during the six months ended March 31, 2021 at a weighted average per share cost of $13.89, well below the Company's book value per share.
- The Company's tangible book value per share (non-GAAP) was $15.59 per share at March 31, 2021 as compared to $15.07 at September 30, 2020.
- As of March 31, 2021 there were no loans on COVID-19 deferral.

Net Interest Income:

Although average interest-earning assets declined by $114.4 million for the three months ended March 31, 2021 as compared to the same period in 2020, net interest income for the second quarter of fiscal 2021 amounted to $5.7 million, decreasing by only $64,000 as compared to the same period in 2020. The $1.5 million decrease in interest income was offset almost completely by a decrease of $1.5 million in interest paid on deposits and borrowings. The weighted average cost of borrowings and deposits decreased 41 basis points to 1.52% for the quarter ended March 31, 2021 from 1.93% for the same period in 2020 due to decreases in market rates of interest which affected both deposit and borrowing costs. Although the weighted average yield on interest-earning assets decreased during the quarter ended March 31, 2021, it did so to lesser degree due to the more repricing of our interest-bearing liabilities than our interest-earning assets. The weighted average yield on our interest-earning assets declined by 15 basis points, to 3.45% for the quarter ended March 31, 2021 from the comparable period in 2020 due to the decline in market rates of interest, in particular as a result of the Federal Reserve's Open Market Committee's action to reduce the Federal Funds Rate in early 2020 in an effort to address potential disruption in the markets occasioned by the COVID-19 pandemic.

On a linked quarter basis, for the three months ended March 31, 2021, net interest income increased by $40,000 to $5.7 million as compared to the three months ended December 31, 2020. The increase reflected the effects of a decrease of $266,000, or 6.6% in interest paid on deposits and borrowings, partially offset by a decrease of $226,000, or 2.3%, in interest earned on interest-earning assets. The weighted average yield rate paid on interest-bearing liabilities decreased from 1.63% to 1.52% while the yield earned on interest-earning assets increased slightly to 3.45% from 3.44%.

Average interest-earning assets declined by $117.8 million for the six months ended March 31, 2021 as compared to the same period in 2020. However, due to relative shifts in yields earned and rates paid which offset such declines in part, net interest income was $11.4 million, decreasing by $723,000 as compared to the same period in fiscal 2020. The decrease was due to a decrease of $3.7 million, or 16.1%, in interest income partially offset by a $3.0 million, or 27.7%, decrease in interest paid on deposits and borrowings. The decrease in interest income was due to the decrease in the weighted average balance of interest-earning assets and by the 25 basis point decline in the weighted average yield earned on our interest-earning assets. The weighted average cost of borrowings and deposits decreased to a greater degree, decreasing to 1.55% during the six months ended March 31, 2021 from 1.96% during the comparable period in 2020 primarily due to decreases in market rates of interest.

For the three and six months ended March 31, 2021, the net interest margin was 2.08% and 2.05%, respectively, compared to 1.89% and 1.96% for the same periods in fiscal 2020, respectively. The margin improvement experienced in the 2021 periods in large part reflected the more rapid decline in liability costs compared to asset yields in response to the declining interest rate environment.

<u>Non-Interest Income:</u>

Non-interest income amounted to $575,000 and $1.1 million for the three and six month periods ended March 31, 2021, respectively, compared to $2.7 million and $3.5 million, respectively, for the comparable periods in fiscal 2020. Both of the 2020 periods included significant gains on the sale of various investment securities of $2.4 million and $2.7 million for the quarter and six months ended March 31, 2020, respectively.

<u>Non-Interest Expenses:</u>

For the three and six month periods ended March 31, 2021, non-interest expense decreased $110,000 or 2.5% and $33,000 or 0.4%, respectively, compared to the same periods in the prior fiscal year. Non-interest expense decreased in both of the fiscal 2021 periods primarily due in part to the reductions in other real estate, advertising and depreciation expenses. The Company maintained its focus on the continued implementation of operating efficiencies.

Income Taxes:

For the three month and six-month periods ended March 31, 2021, the Company recorded tax expense of $235,000 and $521,000, respectively, compared to $572,000 and $1.1 million for the same periods in fiscal 2020. The reduction in tax expense for the three and six month periods was commensurate with the decrease in pre-tax income.

Balance Sheet:

Total assets decreased by $17.4 million to approximately $1.2 billion at March 31, 2020 from September 30, 2020. However, net loans receivable increased $32.6 million to $620.9 million at March 31, 2021 from $588.3 million at September 30, 2020 due to our continuing efforts to expand our commercial loan portfolio. Offsetting the increase in net loans were decreases in the investment portfolio of $67.1 million primarily as a result of paydowns of U.S. government agency mortgage-backed securities.

Total liabilities decreased by $20.5 million during the quarter to $1.1 billion at March 31, 2021 due primarily to a $33.6 million decrease in FHLB borrowings and a $6.1 million decrease in interest rate swap contracts. Offsetting the decrease was a $22.8 million increase in deposits, primarily in certificates of deposit, at terms more favorable than the maturing FHLB advances.

Total stockholders' equity increased by $1.1 million to $130.3 million at March 31, 2021 from $129.1 million at September 30, 2020. The increase was primarily due to net income of $3.6 million. Also contributing to the increase was a $1.4 million increase in the fair value of investment securities held for sale and in connection with interest rate swap arrangements. These increases were partially offset by net stock repurchases totaling $2.7 million and dividend payments totaling $1.1 million during the six months ended March 31, 2021.

Asset Quality:

At March 31, 2021, the Company's non-performing assets totaled $13.1 million or 1.1% of total assets as compared to $13.0 million or 1.1% of total assets at September 30, 2020. Non-performing assets at March 31, 2021 included five construction loans aggregating $8.3 million, 25 one-to-four family residential mortgage loans aggregating $3.5 million, and three commercial real estate loans aggregating $1.3 million. At March 31, 2021, the Company had four loans totaling $4.9 million that were classified as troubled debt restructurings ("TDRs"). One TDR is on non-accrual and consists of a $399,000 loan secured by a single-family residential property which is performing in accordance with the restructured terms. The three remaining TDRs totaling $4.5 million are also classified as non-accrual and are a part of a lending relationship totaling $10.1 million (after taking into account the previously disclosed $1.9 million write-down recognized during the quarter ending March 31, 2017 related to this borrowing relationship). The primary project of the borrower (the development of a 169-unit townhouse project in Bristol Borough, Pennsylvania) is the subject of litigation between the Bank and the borrower. As previously disclosed, subsequent to the commencement of the litigation, the borrower filed for bankruptcy under Chapter 11 (Reorganization) of the federal bankruptcy code in June 2017. The Bank moved the underlying litigation noted above with the borrower and the Bank from state court to the federal bankruptcy court in which the bankruptcy proceeding is being heard. The state litigation is stayed pending the resolution of the bankruptcy proceedings. As of March 31, 2021, twenty-three units have been sold in the project with a portion of the proceeds of each sale being applied against the outstanding debt.

The Company recorded no provisions for loan losses for the three and six months ended March 31, 2021 compared to provisions for loan losses of $500,000 and $625,000, respectively, for the same periods in fiscal 2020, as the $3.0 million provision expense incurred in fiscal 2020, combined with minimal recent charge-offs, was deemed sufficient to maintain the allowance at a level sufficient to cover all inherent and known losses in the current portfolio. During the three and six months ending March 31, 2021, the Company recorded no charge offs while during the same periods the Company recorded recoveries aggregating $15,000 and $51,000, respectively. During the three and six months ending March 31, 2020, the Company recorded three charge offs aggregating $74,000. During the three and six months ended March 31, 2020, the Company recorded recoveries aggregating $7,000 and $17,000, respectively. Although our COVID-19 loan deferrals were as high as $149.7 million during portions of fiscal 2020, all existing deferrals had ended by September 30, 2020. All of the loans which had been on deferral were current as of March 31, 2021.

The allowance for loan losses totaled $8.4 million, or 1.3% of total loans, and 64.0% of total non-performing loans at March 31, 2021 (which included loans acquired at their fair value as a result of the acquisition of Polonia Bancorp, Inc. ("Polonia") as of January 1, 2017) as compared to $8.3 million, or 1.4% of total loans and 63.7% of total non-performing loans at September 30, 2020. The Company believes that the allowance for loan losses at March 31, 2021 was sufficient to cover all inherent and known losses associated with the loan portfolio at such date.

COVID-19 Related Information

As noted above, in response to the current situation surrounding the COVID-19 pandemic, the Company is providing assistance to its customers in a variety of ways. The Company participated in the initial Paycheck Protection Program ("PPP") offered under the CARES Act as a Small Business Administration ("SBA") lender. We are currently working with a third party in order for our customers to be able to participate in the updated PPP loan program adopted as part of the COVID-19 stimulus bill enacted in December 2020 as part of the 2021 Consolidated Appropriations Act.

The primary method of relief is to allow the borrower to defer their loan payments for three months (and extending the term of the loan accordingly). The CARES Act and regulatory guidelines shave temporarily suspended the determination of certain loan modifications related to the COVID-19 pandemic from being treated as TDRs. See "Asset Quality" discussion above.

While the Company's banking operations were not restricted by the government stay-at-home orders, the Company took and continues to take steps to protect its employees and customers by providing for remote working for many employees, enhancing cleaning procedures for the Company's offices, in particular its branch offices, requiring face masks to be worn by employees and maintaining appropriate social distancing in our offices. The Company continues to assess and monitor the on-going COVID-19 pandemic and will take additional such steps as are necessary to protect its employees and assist its depositor and borrower customers during this difficult time.

About Prudential Bancorp, Inc.:

Prudential Bancorp, Inc. is the holding company for Prudential Bank. Prudential Bank is a Pennsylvania-chartered, FDIC-insured savings bank that was originally organized in 1886. The Bank conducts business from its headquarters and main office in Philadelphia, Pennsylvania as well as nine additional full-service financial centers, seven of which are in Philadelphia, one in Drexel Hill, Delaware County, and one in Huntingdon Valley, Montgomery County, Pennsylvania.

Forward-Looking Statements:

This press release contains "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 or conditions relating to the Company and its operations. These forward-looking statements include statements with respect to the Company'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 the Company's control). The words "may," "could," "should," "would," "will," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify forward-looking statements.

In addition to factors previously disclosed in the reports filed by the Company with the Securities and Exchange Commission ("SEC") and those identified elsewhere in this press release, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: the strength of the United States economy in general and the strength of the local economies in which the Company conducts its operations; general economic conditions; the scope and duration of the COVID-19 pandemic; the effects of the COVID-19 pandemic, including on the Company's credit quality and operations as well as its impact on general economic conditions; legislative and regulatory changes including actions taken by governmental authorities in response to the COVID-19 pandemic; monetary and fiscal policies of the federal government; changes in tax policies, rates and regulations of federal, state and local tax authorities including the effects of the Tax Reform Act; changes in interest rates, deposit flows, the cost of funds, demand for loan products and the demand for financial services, in each case as may be affected by the COVID-19 pandemic; competition, changes in the quality or composition of the Company's loan, investment and mortgage-backed securities portfolios; geographic concentration of the Company's business; fluctuations in real estate values; the adequacy of loan loss reserves; the risk that goodwill and intangibles recorded in the Company's financial statements will become impaired; changes in accounting principles, policies or guidelines and other economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and fees.

The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company to reflect events or circumstances occurring after the date of this press release.

For a complete discussion of the assumptions, risks and uncertainties related to our business, you are encouraged to review the Company's filings with the SEC, including the "Risk Factors" section in its most recent Annual Report on Form 10-K for the year ended September 30, 2020, as supplemented by its quarterly or other reports filed subsequently with the SEC.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA
(Unaudited)

	At March 31, 2021	At September 30, 2020
	(Dollars in Thousands)	
Selected Consolidated Financial and Other Data (Unaudited):		
Total assets	$1,204,032	$1,223,353
Cash and cash equivalents	135,229	117,081
Investment and mortgage-backed securities:		
Held-to-maturity	22,270	22,860
Available-for-sale	353,861	420,415
Loans receivable, net	620,875	588,300
Goodwill and intangible assets	6,393	6,442
Deposits	793,745	770,949
FHLB advances	251,639	285,254
Non-performing loans	13,053	13,037
Non-performing assets	13,053	13,037
Stockholders' equity	130,258	129,117
Common stock outstanding (shares)	7,944,002	8,138,675
Full-service offices	10	10

	At or For the Three Months Ended March 31,		At or For the Six Months Ended March 31,	
	2021	2020	2021	2020
	(Dollars in Thousands Except Per Share Amounts)			
Selected Operating Data:				
Total interest income	$9,464	$11,010	$19,154	$22,837
Total interest expense	3,740	5,222	7,746	10,706
Net interest income	5,724	5,788	11,408	12,131
Provision for loan losses	-	500	-	625
Net interest income after provision for loan losses	5,724	5,288	11,408	11,506
Total non-interest income	575	2,668	1,112	3,500
Total non-interest expense	4,350	4,460	8,448	8,481
Income before income taxes	1,949	3,496	4,072	6,525
Income tax expense	235	572	521	1,138
Net income	$1,714	$2,924	$ 3,551	$ 5,387
Basic earnings per share	$0.22	$0.33	$0.44	$0.61
Diluted earnings per share	$0.21	$0.32	$0.44	$0.60
Dividends paid per common share	$0.07	$0.50	$0.14	$0.57
Tangible book value per share at end of period(1)	$15.59	$14.32	$15.59	$14.32
Common stock outstanding (shares) (period end)	7,944,002	8,782,025	7,944,002	8,782,025
Selected Operating Ratios(2):				
Average yield on interest-earning assets	3.45%	3.60%	3.44%	3.69%
Average rate paid on interest-bearing liabilities	1.52%	1.93%	1.55%	1.96%
Average interest rate spread (3)	1.93%	1.67%	1.89%	1.73%
Net interest margin (3)	2.08%	1.89%	2.05%	1.96%
Average interest-earning assets to average interest-bearing liabilities	111.32%	112.94%	111.63%	113.24%
Net interest income after provision for loan losses to non-interest expense	131.59%	118.57%	135.04%	135.67%
Total non-interest expense to total average assets	1.47%	1.39%	1.43%	1.32%
Efficiency ratio(4)	69.06%	52.74%	67.48%	54.26%
Return on average assets	0.58%	0.91%	0.60%	0.84%
Return on average equity	5.24%	8.28%	5.42%	7.26%
Average equity to average total assets	11.07%	11.02%	11.06%	11.51%

	At or for the Three Months Ended March 31,		At or for Six Months Ended March 31,	
	2021	2020	2021	2020
Asset Quality Ratios(5)				
Non-performing loans as a percentage of loans receivable, net(6)	2.10%	2.43%	2.10%	2.43%
Non-performing assets as a percentage of total assets(6)	1.08%	1.14%	1.08%	1.14%
Allowance for loan losses as a percentage of total loans	1.33%	1.03%	1.33%	1.03%
Allowance for loan losses as a percentage of total non-performing loans	64.00%	42.84%	64.00%	42.84%
Net charge-offs (recoveries) to average loans receivable	-0.03%	0.05%	-0.11%	0.02%
Capital Ratios(7)				
Tier 1 leverage ratio				
Company	10.67%	10.26%	10.57%	10.26%
Bank	10.49%	10.13%	10.42%	10.13%
Tier 1 common risk-based capital ratio				
Company	16.85%	18.37%	16.85%	18.37%
Bank	16.55%	18.09%	16.55%	18.09%
Tier 1 risk-based capital ratio				
Company	16.85%	18.37%	16.85%	18.37%
Bank	16.55%	18.09%	16.55%	18.09%
Total risk-based capital ratio				
Company	18.04%	19.28%	18.04%	19.28%
Bank	17.74%	19.00%	17.74%	19.00%

(1) Non-GAAP measure; see reconciliation below.

(2) With the exception of end of period ratios, all ratios are based on average monthly balances during the indicated periods and are annualized where appropriate.

(3) 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.

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

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

(6) 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 ("TDRs") due to being recently restructured. TDRs are initially placed on non-accrual in connection with such restructuring and remain on non-accrual until such time that an adequate sustained payment period under the restructured terms has been established to justify returning the loan to accrual status. It is the Company's policy to cease accruing interest on all loans which are 90 days or more past due as to interest or principal.

(7) The Company is not subject to the regulatory capital ratios imposed by Basel III on bank holding companies because the Company is deemed to be a small bank holding company.

Non-GAAP Measures Disclosure

Reported amounts are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company's management believes that the supplemental non-GAAP information provided in this press release is utilized by market analysts and others to evaluate a company's financial condition and, therefore, such information is useful to investors. This disclosure should not be viewed as a substitute for financial results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures presented by other companies.

The following table shows the reconciliation of the Company's book value and tangible book value (a non-GAAP measure which excludes goodwill and the core deposit intangible resulting from the acquisition of Polonia as of January 1, 2017 from total stockholders' equity as calculated in accordance with GAAP) at each of the dates presented.

(In Thousands, Except Per Share Amounts)	As of March 31, 2021		As of September 30, 2020		As of March 31, 2020	
	Book Value	Tangible Book Value	Book Value	Tangible Book Value	Book Value	Tangible Book Value
Total stockholders' equity	$ 130,258	$ 130,258	$ 129,117	$ 129,117	$ 132,246	$ 132,246
Less intangible assets:						
Goodwill	--	6,102	--	6,102	--	6,102
Core deposit intangible	--	291	--	342	--	392
Total intangibles	$ --	$ 6,393	$ --	$ 6,444	$ --	$ 6,494
Adjusted stockholders' equity	$ 130,258	$ 123,865	$ 129,117	$ 122,673	$ 142,299	$ 125,759
Shares of common stock outstanding	7,944,002	7,944,002	8,138,675	8,138,675	8,782,025	8,782,025
Adjusted book value per share	$16.40	$15.59	$15.86	$15.07	$15.06	$14.32