Audubon
SAVINGS BANK

WILLIAM PENN
BANCORP, INC.

Annual Report
2020

Corporate Profile

William Penn Bancorp, Inc. (the "Company") is a Pennsylvania-chartered bank holding company headquartered in Bristol, Pennsylvania. Through its wholly owned subsidiary, William Penn Bank (the "Bank" and, together with the Company, "William Penn"), the Company operates twelve branch offices in Bucks County and Philadelphia, Pennsylvania, and Southern New Jersey, serving a highly concentrated and competitive marketplace. The Bank offers an attractive array of retail and commercial banking products through traditional full-service branches combined with supplementary delivery channels including cash management, mobile banking, and online banking.

Among the highlights in 2020, William Penn completed the simultaneous acquisitions of Fidelity Savings and Loan Association of Bucks County ("Fidelity") and Washington Savings Bank ("Washington"), helping to increase the Company's assets to $736.5 million from $415.8 million the year before.

William Penn is committed to providing retail and commercial banking products and services to our customers throughout the Delaware Valley area. The Bank's deposits are insured up to the legal maximum (generally $250,000 per depositor) by the FDIC. The Bank is regulated by the FDIC and the Pennsylvania Department of Banking and Securities.

The Company's executive offices are located at 10 Canal Street, Suite 104, Bristol, Pennsylvania 19007. For more information about the Company and the Bank visit: www.williampenn.bank

Stock Market Information

The Company's common stock trades on the OTC Pink Market Place under the symbol "WMPN."

At June 30, 2020, there were 4,489,345 shares of the Company's common stock outstanding, including 3,711,114 shares held by the MHC, and 25,489 shares held by William Penn Bank Community Foundation.

At June 30, 2020, the Company had approximately 242 stockholders of record. This number does not reflect the number of persons or entities who held stock in nominee or street name through various brokerage firms.

On July 16, 2020, the Company announced an annual cash dividend of $0.42 per share payable on August 10, 2020 to shareholders of record on August 3, 2020. The Company's ability to pay dividends to stockholders is, to some extent, dependent upon the dividends it receives from the Bank, which may only pay dividends out of accumulated net earnings.

Financial Highlights

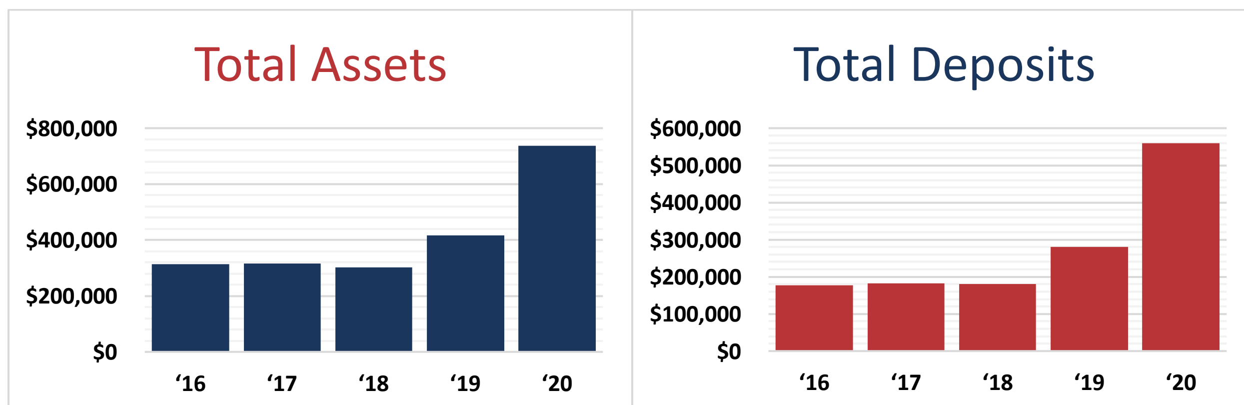
WILLIAM PENN BANCORP, INC.

(dollars in thousands, except per share amounts)

For the Year Ended June 30,	2020	2019	2018
Net Interest Income	***$ 14,799***	$ 14,230	$ 8,993
Provision (Benefit) for Loan Losses	***626***	88	(120)
Non-Interest Income	***1,176***	987	641
Net Securities Gains	***238***	140	---
Gain on Bargain Purchase	***746***	---	---
Non-Interest Expense	***11,856***	9,397	5,908
Merger Related Expenses	***3,294***	796	375
Amortization of Intangibles	***242***	260	---
Net Income	***1,328***	3,756	1,464
Earnings Per Share - Basic and Diluted	***$ 0.33***	$ 0.94	$ 0.42
Tangible Book Value Per Share	***20.12***	17.74	17.87

Actual Balance Sheet at June 30,	2020	2019	2018
Total Assets	***$ 736,452***	$ 415,829	$ 301,109
Loans, net	***508,605***	326,017	233,389
Securities	***89,998***	22,566	4,963
Total Deposits	***559,848***	281,206	180,657
Borrowings	***64,892***	50,000	51,500
Stockholders' Equity	***96,365***	76,630	61,895

Financial Ratios (excluding merger charges and gain on bargain purchase):	2020	2019	2018
Return on Average Assets	***0.79%***	1.11%	0.60%
Return on Average Stockholders' Equity	***4.78%***	6.08%	3.00%
Net Interest Margin	***3.30%***	3.76%	3.08%
Efficiency Ratio	***74.62%***	62.88%	61.32%
Tier 1 Leverage Capital Ratio	***13.67%***	16.94%	20.00%



Dear Fellow Shareholders,

This year has tested us all, and never before has our connection to our community been closer to our hearts and minds while observing a social distance. The relationship between people and their bank is one of business, but their human experiences - their hopes and dreams and needs - are the undercurrent of each of our transactions. William Penn Bank understands the immense weight of that trust, and cares about each one of these relationships and interactions.

We continuously strive to adapt to new circumstances, contribute to our communities, and find the new balance in this challenging time. Our growth and success is because of our people believing in our mission.

Indeed, one of the most essential actions we can take is promising what we do best: ensuring continuity and quality of service. When life seems so unpredictable, we are here to be a source of sound advice and reliability. Read on to see what we are building for 2020 and beyond.

THE YEAR IN REVIEW

2020 marks the 150th Anniversary of William Penn Bank, and it has quite possibly been the most exciting year ever in the long history of our franchise!

Execution of our company's growth strategy reached new heights in fiscal 2020, both organically and through the integration of two strategically important acquisitions. On December 5, 2019, we announced merger agreements with Fidelity Savings and Loan Association of Bucks County and Washington Savings Bank. Fidelity, founded in 1885, was a mutual thrift with $88 million in assets and one branch office located within walking distance from our new headquarters in Bristol, Bucks County, PA. Washington, founded in 1903, was also a mutual thrift and had $159 million in assets and four branch locations in Northeast Philadelphia. Both mergers closed on May 1, 2020, with data processing system conversions on track for the Fall of 2020. (As of this writing, Washington's system conversion was completed on September 19th and Fidelity's system conversion is scheduled for November 15th.) William Penn has now successfully completed three whole-bank acquisitions since 2018.

Ken Stephon, President & CEO

The mergers were significant for several reasons:

- The acquired branch locations effectively fill the geographic gap between our Bucks County, Pennsylvania locations and the South Jersey branch locations acquired as part of the merger with Audubon Savings Bank in 2018.
- Upon the closing of the transactions, the Bank's assets increased from $461 million to more than $700 million, and deposits grew from $318 million in six offices to $516 million in eleven offices. Our company has now more than doubled in size since June 30, 2018, growing assets by $435 million, or 145%, during the two-year period.
- William Penn Bancorp, Inc. issued a total of 509,191 shares of its common stock to William Penn, MHC as part of the transactions, while adding tangible capital of $20.5 million to shareholders' equity and recognizing a gain on bargain purchase of $746 thousand. Consequently, these transactions were substantially accretive to the Company's tangible book value per share which, combined with earnings, increased from $17.74 at June 30, 2019 to $20.12 at June 30, 2020, an increase of $2.38 or 13.4%.
- In connection with the acquisitions, William Penn Bancorp and William Penn, MHC each became Pennsylvania-chartered bank holding companies.

Habitat for Humanity. Pictured: Jennifer, homeowner & Marie Ost, Director of Retail Banking

Beyond the mergers, we continued to concentrate on and invest in building our capabilities – our people, systems, and products. These important investments drive the prospects of our company and position it to grow and prosper for decades. We further strengthened our executive management team this year with the addition of Jonathan Logan as our Chief Financial Officer, and our overall growth as a company has expanded the responsibilities of our executive team, with Jill Ross now managing retail and commercial banking and Greg Garcia moving into the role of Chief Operating Officer. We continued to opportunistically hire talented individuals who are adept at and experienced in our relationship-oriented banking model, and our capable team has greatly enhanced the Bank's delivery of retail, commercial, and small business banking services.

Virtua Mobile Farmers Market. Pictured: Mike Giampetro, Marketing Coordinator & Jill Ross, EVP Chief Retail & Commercial Officer (both holding check) with Virtua Foundation team.

As part of our strategy to enter vibrant commercial markets with walkable downtowns, we opened our 12th branch office in June 2020 in the borough of Collingswood, New Jersey. To accommodate our clients and enrich the branch banking experience, the Collingswood branch offers the new concept of serving customers with universal banking associates and offers our clients a café and community center. The Bank's twelve-branch network now includes four offices in Bucks County, PA, four offices in Northeast Philadelphia, and four offices in South Jersey.

Our NEW Collingswood Branch (Opened June '20)

Our dedicated team worked hard to deliver on our objective of heightening our suite of banking products by introducing Business Online Banking, Business Mobile Banking, Positive Pay, and online ACH and wire transfers. We redesigned our website to improve its ease of use and introduced a new and comprehensive Education Center as a valuable financial literacy resource for our customers and the community. We streamlined and improved the efficiency of our customer services processes and simplified our commercial loan application process.

I pledge, along with your Board of Directors and management team, to work diligently through these worrisome times, and to continue to manage our company in the long-term best interests of all our stakeholders. While we remain fully confident of our ability to excel within the community banking industry, we recognize that our business is captive to world events and their impact on our local economy. We remain diligent in our commitment to conservative banking practices and sound loan quality, and we will not lower or undermine our underwriting standards to achieve short term growth goals.

IN APPRECIATION

Bill Feeney, William Penn's long-time Chairman of the Board, has informed the Board that he will retire as Chairman as of the Annual Meeting on November 18. Bill will continue his service as a Director of the Company and the Bank, and the Board has elected Bill to serve in the role of Lead Independent Director. I want to personally thank Bill for his outstanding leadership and excellent partnership. It has been an honor to work with him through three mergers, and I appreciate the strong support he has given to me and the entire management team. Bill's openness, sincerity, and guidance have been a great inspiration to all of us at William Penn. I look forward to his counsel and support in the future.

I have the honor and privilege of succeeding Bill Feeney as Chairman of this great company, and I thank our Board for their confidence and support. Like the mergers, our Board has also come together in a very effective way and has provided great advice and guidance to me and the management team. Our Board expanded by two members as a result of the mergers, and we want to welcome the newest members of our Board of Directors, Christopher Molden and William Niemczura, who have joined the Company from Fidelity Savings & Loan.

Management Team Zoom Meeting

We are grateful to all our retired employees and directors for their service to William Penn Bancorp and its predecessor banks. We would like to express special appreciation to Pete Gohl, who retired as President of Washington Savings Bank after 41 years of dedicated service with the bank. Pete has stayed on board temporarily to support us through the data processing system conversion and accounting system conversion. We would also like to express special appreciation to Rick Eble, who retired as President of Fidelity Savings & Loan at the time of the merger. Rick's vision was essential to the successful combination of our banks.

Canal Works (Headquarters) Lobby

I want to thank the employees of William Penn Bank for their amazing efforts and contributions to our success, and for their extraordinary work under the most challenging of circumstances over the past year. I am delighted and honored to work with them. Together, we have come a long way and are on a path to realizing the great potential of this company. An enormous amount of work remains, but I am confident that together we can build William Penn into one of the best community banks in the country.

A LOOK TO THE FUTURE

Looking ahead, fiscal 2021 will bring another significant organizational milestone. On September 16, 2020, we announced the adoption of a Plan of Conversion pursuant to which William Penn Bancorp, Inc. will reorganize into a fully public stock holding company structure and will conduct a second-step stock offering of new shares of common stock.

We are eager to write the next chapter of our story and excited to share our future successes with all our current and future stakeholders. Together, we will continue to make William Penn Bancorp a company that our customers, shareholders, employees, and communities can be proud of.

Kenneth J. Stephon
President & CEO

Board of Directors

William J. Feeney
Chairman of the Board
Retired Chief of Police,
Richboro, Pennsylvania

Craig Burton
Principal
Bee, Bergvall & Co.
Certified Public
Accountants

D. Michael Carmody, Jr.
Certified Public
Accountant

Charles Corcoran
Retired Executive Vice
President & CFO
William Penn Bank

Glenn Davis
Owner
G Davis Properties LLC
Non-residential Real
Estate Operation

Christopher Molden
President
MDCNC LLC
Real Estate
Development

William Niemczura
Retired President and
Chairman of the Board
Fidelity Savings & Loan
Association of Bucks
County

William B. K. Parry, Jr.
President
William B. Parry & Son,
Ltd.
Independent Insurance
Agency

Terry L. Sager
Retired President and
Chief Executive Officer
William Penn Bank

Vincent P. Sarubbi
Partner
Archer & Greiner, P.C.

Kenneth J. Stephon
President and
Chief Executive Officer
William Penn Bancorp,
Inc. and William Penn
Bank

Executive Officers

Kenneth J. Stephon
President and
Chief Executive Officer

Gregory S. Garcia
Executive Vice President
Chief Operating Officer

Jill M. Ross
Executive Vice President
Chief Retail and
Commercial Officer

Jonathan Logan
Senior Vice President
Chief Financial Officer
Corporate Secretary

William Penn Bank – Other Senior Officers

Tina Bosco
Senior Vice President
Information Security
Officer

Patricia Dykes
Senior Vice President
Deposit Operations

Robin L. Fadio
Senior Vice President
Loan Servicing Manager

Steven Gillespie
Senior Vice President
Chief Compliance
Officer

Karen Hunter
Senior Vice President
Chief Accounting Officer

Bruce W. Knipe
Senior Vice President
Director of Commercial
Lending

Marie Ost
Senior Vice President
Director of Retail
Banking

James R. Read
Senior Vice President
Chief Technology Officer

Joe Slemmer II
Senior Vice President
Investor Real Estate
Lending

Laurie A. Wallace
Senior Vice President
Director of Residential
Lending

Corporate and Shareholder Information

Corporate Headquarters
10 Canal Street, Suite 104
Bristol, PA 19007
267-540-8500
www.williampenn.bank

Transfer Agent and Registrar
Computershare Inc.
P.O. Box 505005
Louisville, KY 40233-5005
781-575-4223

Independent Auditors
S.R. Snodgrass, P.C.
2009 Mackenzie Way, Suite 340
Cranberry Township, PA 16066

Corporate Counsel
Kilpatrick Townsend & Stockton LLP
607 14th Street, N.W., Suite 900
Washington, D.C. 2000

William Penn Bank Locations

Bucks County Branches

Bristol Office
(November 2020)
201 Pond Street
Bristol, PA 19007
215-785-6001

Levittown Office
1309 S. Woodbourne Road
Levittown, PA 19057
215-269-1200

Morrisville Office
400 West Trenton Avenue
Morrisville, PA 19067
215-295-5008

Richboro Office
911 Second Street Pike
Richboro, PA 18954
215-355-1105

Philadelphia Branches

Allegheny Office
2701 East Allegheny Avenue
Philadelphia, PA 19134
215-427-3500

Bustleton Office
10663 Bustleton Avenue
Philadelphia, PA 19116
215-673-3500

Comly Road Office
2900 Comly Road
Philadelphia, PA 19154
215-698-9400

Frankford Office
8729 Frankford Avenue
Philadelphia, PA 19136
215-624-8400

South Jersey Branches

Audubon Office
509 S. White Horse Pike
Audubon, NJ 08106
856-547-8100

Collingswood Office
765 Haddon Avenue
Collingswood, NJ 08108
856-833-1333

Mt. Laurel Office
5039 Church Road
Mt. Laurel, NJ 08054
856-642-7880

Pine Hill Office
701 Erial Road
Pine Hill, NJ 08021
856-782-0500

WILLIAM PENN
BANCORP, INC.

10 Canal Street, Suite 104
Bristol, PA 19007

www.williampenn.bank

Member FDIC

WILLIAM PENN
BANCORP, INC.

WILLIAM PENN BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the Years ended June 30, 2020 and June 30, 2019
Report of Independent Registered Public Accounting Firm - S.R. Snodgrass, P.C.

THIS PAGE IS INTENTIONALLY LEFT BLANK

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of William Penn Bancorp, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of William Penn Bancorp, Inc. and subsidiaries (the "Company") as of June 30, 2020 and 2019; the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements (collectively, the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company, in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2008.

S. R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
October 6, 2020

S.R. Snodgrass, P.C. • 2009 Mackenzie Way, Suite 340 • Cranberry Township, Pennsylvania 16066 • Phone: 724-934-0344 • Fax: 724-934-0345

WILLIAM PENN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in thousands, except share and per share amounts)
As of June 30, 2020 and 2019

	June 30, 2020	June 30, 2019
ASSETS		
Cash and due from banks	$ 21,385	$ 8,260
Interest bearing deposits with other banks	56,755	17,908
Federal funds sold	4,775	-
Total cash and cash equivalents	82,915	26,168
Interest-bearing time deposits	2,300	8,486
Securities available for sale	89,998	20,660
Securities held to maturity, fair value of $0 and $1,937, respectively	-	1,906
Loans receivable, net of allowance for loan losses of $3,519 and $3,209, respectively	508,605	326,017
Premises and equipment, net	16,733	8,406
Regulatory stock, at cost	4,200	2,785
Deferred income taxes	4,817	2,111
Bank-owned life insurance	14,758	11,203
Goodwill	4,858	4,858
Intangible assets	1,192	1,172
Accrued interest receivable and other assets	6,076	2,057
TOTAL ASSETS	$ 736,452	$ 415,829
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits	$ 559,848	$ 281,206
Advances from Federal Home Loan Bank	64,892	50,000
Advances from borrowers for taxes and insurance	4,536	3,814
Accrued interest payable and other liabilities	10,811	4,179
TOTAL LIABILITIES	640,087	339,199
Commitments and contingencies	-	-
STOCKHOLDERS' EQUITY		
Preferred stock, no par value, 1,000,000 shares authorized; no shares issued	-	-
Common Stock, $.10 par value, 49,000,000 shares authorized; 4,667,304 and 4,158,113 shares issued and 4,489,345 and 3,980,154 shares outstanding at June 30, 2020 and 2019, respectively.	467	416
Additional paid-in capital	42,932	22,441
Treasury Stock, 177,959 shares at cost at June 30, 2020 and 2019	(3,710)	(3,710)
Retained earnings	56,600	57,255
Accumulated other comprehensive income	76	228
TOTAL WILLIAM PENN BANCORP, INC. STOCKHOLDERS' EQUITY	96,365	76,630
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 736,452	$ 415,829

See accompanying notes to consolidated financial statements

WILLIAM PENN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except share and per share amounts)
For the Years Ended June 30, 2020 and 2019

	Year ended June 30,	
	2020	2019
INTEREST INCOME		
Loans receivable, including fees	$ 17,914	$ 16,595
Securities	1,557	415
Other	346	811
Total Interest Income	19,817	17,821
INTEREST EXPENSE		
Deposits	3,604	2,297
Borrowings	1,414	1,294
Total Interest Expense	5,018	3,591
Net Interest Income	14,799	14,230
Provision For Loan Losses	626	88
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	14,173	14,142
OTHER INCOME		
Service fees	569	483
Realized losses on sale of REO, net	-	(30)
Gain on sale of loans	-	12
Gain on sale of securities	238	140
Earnings on bank-owned life insurance	347	327
Gain on bargain purchase	746	-
Other	260	195
Total Other Income	2,160	1,127
OTHER EXPENSES		
Salaries and employee benefits	6,855	6,438
Occupancy and equipment	1,784	1,096
Data processing	1,155	692
Professional fees	451	277
Merger related expenses	3,294	796
Amortization on intangible assets	242	260
Other	1,611	894
Total Other Expense	15,392	10,453
Income Before Income Taxes	941	4,816
Income Tax (Benefit) Expense	(387)	1,060
NET INCOME	$ 1,328	$ 3,756
Basic and diluted earnings per share	$ 0.33	$ 0.94

See accompanying notes to consolidated financial statements

WILLIAM PENN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

For the Years Ended June 30, 2020 and 2019

	Year Ended June,	
	2020	2019
Net income	$ 1,328	$ 3,756
Other comprehensive income (loss):		
Changes in net unrealized gain (loss) on securities available for sale	46	151
Tax effect	(10)	(31)
Reclassification adjustment for gain recognizd in net income	(238)	(140)
Tax effect	50	29
Other comprehensive income (loss), net of tax	(152)	9
Comprehensive income	$ 1,176	$ 3,765

See accompanying notes to consolidated financial statements

WILLIAM PENN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands, except share amounts)
For the Years Ended June 30, 2020 and 2019

	Number of Shares	Common Stock	Additional Paid-in capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, June 30, 2018	**3,463,059**	**$ 364**	**$ 10,243**	**$ (3,710)**	**$ 54,779**	**$ 219**	**$ 61,895**
Net income					3,756		3,756
Other comprehensive income						9	9
Dividend paid ($0.32 per share)					(1,280)		(1,280)
Merger with Audubon Savings Bank	517,095	52	12,198				12,250
Balance, June 30, 2019	**3,980,154**	**$ 416**	**$ 22,441**	**$ (3,710)**	**$ 57,255**	**$ 228**	**$ 76,630**
Net income					1,328		1,328
Other comprehensive loss						(152)	(152)
Dividend paid ($0.50 per share)					(1,983)		(1,983)
Merger with Fidelity Savings and Loan Association	255,325	26	11,351				11,377
Merger with Washington Savings Bank	253,866	25	9,140				9,165
Balance, June 30, 2020	**4,489,345**	**$ 467**	**$ 42,932**	**$ (3,710)**	**$ 56,600**	**$ 76**	**$ 96,365**

See accompanying notes to consolidated financial statements

WILLIAM PENN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
For the Years Ended June 30, 2020 and 2019

	Year ended June 30, 2020	Year ended June 30, 2019
Cash Flows from Operating Activities		
Net income	$ 1,328	$ 3,756
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	626	88
Depreciation expense	582	408
Other accretion, net	(545)	(265)
Deferred income taxes	51	(544)
Impact of tax law change	(408)	-
Proceeds from gain on sale of loans	-	604
Origination of loans sold	-	(592)
Gain on sale of loans	-	(12)
Gain on bargain purchase	(746)	-
Loss on sale of other real estate owned	-	30
Amortization of core deposit intangibles	242	260
Gain on sale of securities	(238)	(140)
Earnings on bank-owned life insurance	(347)	(327)
Other, net	(395)	(511)
Net Cash Provided by Operating Activities	150	2,755
Cash Flows from Investing Activities		
Securities available for sale:		
Purchases	(98,928)	(20,907)
Maturities, calls and principal paydowns	19,439	1,198
Proceeds from sale of securities	13,575	40,383
Securities held to maturity:		
Maturities, calls and principal paydowns	268	1,252
Net increase in loans receivable	(4,960)	(5,834)
Interest bearing time deposits:		
Purchases	(1,500)	(1,499)
Maturities & principal paydowns	7,986	25,435
Regulatory stock		
Purchases	-	(983)
Redemptions	133	2,535
Proceeds from sale of other real estate owned	-	250
Purchases of premises and equipment, net	(1,814)	(247)
Proceeds from the sale of premises and equipment	8	-
Acquisition(s), net of cash acquired	48,848	6,693
Net Cash (Used) Provided by Investing Activities	(16,945)	48,276
Cash Flows from Financing Activities		
Net increase (decrease) in deposits	77,117	(6,631)
Proceeds from Federal Home Loan Bank advances	12,000	19,000
Repayment of Federal Home Loan Bank advances	(14,031)	(52,880)
Increase in advances from borrowers for taxes and insurance	439	800
Cash dividends	(1,983)	(1,280)
Net Cash Provided (Used) for Financing Activities	73,542	(40,991)
Net Increase in Cash and Cash Equivalents	56,747	10,040
Cash and Cash Equivalents-Beginning	26,168	16,128
Cash and Cash Equivalents-Ending	$ 82,915	$ 26,168
Supplementary Cash Flows Information		
Interest paid	$ 5,157	$ 3,610
Income taxes paid	12	12
Transfers from loans to other real estate owned	-	178
Transfers of securities from held to maturity to available for sale	1,637	-
Operating lease right-of-use asset recorded	1,789	-
Operating lease liabilities recorded	1,771	-
Acquisition of noncash assets and liabilities		
Assets acquired	244,854	149,149
Liabilities assumed	223,566	141,757

See accompanying notes to consolidated financial statements

Notes to the Consolidated Financial Statements

Note 1-Nature of Operations

William Penn Bancorp, Inc. (the "Company") is a Pennsylvania chartered mid-tier stock holding company and owns 100% of the outstanding common stock of William Penn Bank (the "Bank"), a Pennsylvania chartered stock savings bank. The Bank offers consumer and commercial banking services to individuals, businesses, and nonprofit organizations throughout the Delaware Valley area through twelve full-service branch offices in Bucks County and Philadelphia, Pennsylvania, and Burlington and Camden Counties in New Jersey. The Company is subject to regulation and supervision by the Board of Governors of the Federal Reserve System. The Bank is supervised and regulated by the Federal Deposit Insurance Corporation ("FDIC") and the Pennsylvania Department of Banking and Securities.

Note 2- Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation
The consolidated financial statements include the accounts of the Company, and its wholly owned subsidiary, the Bank, and the Bank's wholly owned subsidiaries, WPSLA Investment Corporation ("WPSLA"), Fidelity Asset Recovery Specialists, LLC, and Washington Service Corporation ("WSC"). WPSLA is a Delaware corporation organized in April 2000 to hold investment securities and loans for the Bank. At June 30, 2020, WPSLA held $60.0 million of the Bank's $90.0 million investment securities portfolio and $31.1 million of the Bank's $512.1 million loan portfolio. Fidelity Asset Recovery Specialists, LLC is Pennsylvania limited liability company organized in March 2015 that William Penn Bank acquired in connection with its acquisition of Fidelity Savings Association of Bucks County ("Fidelity") in May 2020. Fidelity Asset Recovery Specialists, LLC, which is currently inactive and in the process of dissolution, was formerly utilized by Fidelity to manage and hold other real estate owned properties in Pennsylvania until disposition. WSC is a Pennsylvania corporation organized in October 2000 that William Penn Bank acquired in connection with its acquisition of Washington Savings Bank ("Washington") in May 2020. WSC held commercial real estate, including a branch office, located in Philadelphia, Pennsylvania that was owned by Washington and was sold by William Penn Bank in September 2020. WSC is currently inactive and is in the process of dissolution. All significant intercompany accounts and transactions have been eliminated. Management makes significant operating decisions based upon the analysis of the entire Company and financial performance is evaluated on a company-wide basis. Accordingly, the various financial services and products offered are aggregated into one reportable operating segment: community banking as under guidance in the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC" or "codification") Topic 280 for Segment Reporting.

Use of Estimates in the Preparation of Financial Statements
These consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The significant estimates include the allowance for loan losses, goodwill, intangible assets, income taxes, postretirement benefits, and the fair value of investment securities. Actual results could differ from those estimates and assumptions.

Presentation of Cash Flows
For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and interest-bearing demand deposits.

Revenue Recognition
Management determined that the primary sources of revenue emanating from interest and dividend income on loans and investments along with noninterest revenue resulting from investment security and loan gains (losses), and earnings on bank owned life insurances are not within the scope of ASC 606. The main types of noninterest income within the scope of the standard include service charges on deposit accounts. The Company has contracts with its deposit customers where fees are charged if certain parameters are not met. These agreements can be cancelled at any time by either the Company or the deposit customer. Revenue from these transactions is recognized on a monthly basis as the Company has an unconditional right to the fee consideration. The Company also has transaction fees related to specific transactions or activities resulting from a customer request or activity that include overdraft fees, online banking fees, interchange fees, ATM fees and other transaction fees, as well as bargain purchase gain. These fees are attributable to specific performance obligations of the Company where the revenue is recognized at a defined point in time upon the completion of the requested service/transaction.

Investment Securities
The Company classifies and accounts for debt securities as follows:

Held-to-Maturity – Debt securities that management has the positive intent and ability to hold to maturity are classified as “held-to-maturity” and are recorded at amortized cost. Premiums are amortized and discounts are accreted using the interest method over the estimated remaining term of the underlying security.

Available-for-Sale – Debt securities that will be held for indefinite periods of time that may be sold in response to changes to market interest or prepayment rates, needs for liquidity, and changes in the availability of and the yield of alternative investments, are classified as “available-for-sale” and recorded at fair value, with unrealized gains and losses excluded from earnings and reported net of tax in other comprehensive income. Realized gains and losses on the sale of investment securities are recorded as of trade date and reported in the Consolidated Statements of Income and determined using the adjusted cost of the specific security sold.

The Company determines whether any unrealized losses are temporary in accordance with guidance under *FASB ASC Topic 320 for Investments – Debt Securities*. The evaluation is based upon factors such as the creditworthiness of the issuers/guarantors, the underlying collateral, if applicable, and the continuing performance of the securities. Management also evaluates other facts and circumstances that may be indicative of an other-than-temporary impairment (“OTTI”) condition. This includes, but is not limited to, an evaluation of the type of security, length of time and extent to which the fair value has been less than cost, and near-term prospects of the issuer.

Accounting guidance for debt securities requires the Company to assess whether the loss existed by considering whether (1) the Company has the intent to sell the security, (2) it is more likely than not that it will be required to sell the security before recovery, or (3) it does not expect to recover the entire amortized cost basis of the security. The guidance requires the Company to bifurcate the impact on securities where impairment in value was deemed to be other than temporary between the component representing credit loss and the component representing loss related to other factors. The portion of the fair value decline attributable to credit loss must be recognized through a charge to

earnings. The difference between the fair market value and the credit loss is recognized in other comprehensive income.

Regulatory Stock, at Cost

Common stock of the Federal Home Loan Bank of Pittsburgh ("FHLB") and Atlantic Community Bankers Bank ("ACBB") represent ownership in institutions which are wholly owned by other financial institutions. These restricted equity securities are accounted for at cost. The Company invests in Federal Home Loan Bank of Pittsburgh ("FHLB") stock as required to support borrowing activities, as detailed in Note 13 to these consolidated financial statements. Although FHLB stock is an equity interest in a FHLB, it does not have a readily determinable fair value because its ownership is restricted and it lacks a market. FHLB stock can be sold back only at its par value of $100 per share and only to the FHLBs or to another member institution. The Company evaluates these investments for impairment on the ultimate recoverability of the par value rather than by recognizing temporary declines in value. The Company reviews these stocks for impairment based on guidance from *FASB ASC Topic 320 for Investments – Debt Securities* and *FASB ASC Topic 942 for Financial Services – Depository and Lending* and has concluded that its investment is not impaired.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for loan losses and any deferred fees and costs. Interest income is accrued on the unpaid principal balance. Loan origination fees and costs are deferred and recognized as an adjustment of the yield (interest income) of the related loans. Generally, the Company amortizes loan origination fees and costs over the contractual life of the loan.

The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for loan losses. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for at least six months and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Loans Acquired with Deteriorated Credit Quality

The Company accounts for loans acquired with deteriorated credit quality in accordance with the provisions included in *FASB ASC 310-30 Loans and Debt Securities Acquired with Deteriorated Credit Quality*. For these loans, the Company determined that there is evidence of deterioration in credit quality since the origination of the loan and that it was probable, at the acquisition date, that the Company will be unable to collect all contractually required payments receivable.

These loans are accounted for individually or aggregated into pools of loans based on common risk characteristics (e.g., credit score, loan type, and date of origination). The Company estimates the amount and timing of expected cash flows for each purchased loan or pool, and the expected cash flows in excess of amount paid is recorded as interest income over the remaining life of the loan or pool (accretable yield). The excess of the loan's, or pool's, contractual principal and interest over expected cash flows is not recorded (nonaccretable difference).

Over the life of the loan or pool, expected cash flows continue to be estimated. If the present value of expected cash flows is less than the carrying amount, a loss is recorded. If the present value of expected future cash flows is greater than the carrying amount, the excess is recognized as part of future interest income.

Allowance for Loan Losses

The allowance for loan losses is determined by management based upon portfolio segment, past experience, evaluation of estimated loss and impairment in the loan portfolio, current economic conditions, and other pertinent factors. Management also considers risk characteristics by portfolio segments including, but not limited to, renewals and real estate valuations. The allowance for loan losses is maintained at a level that management considers appropriate to provide for estimated losses and impairment based upon an evaluation of known and inherent risk in the loan portfolio. Loan impairment is evaluated based on the fair value of collateral or estimated net realizable value. While management uses the best information available to make such evaluations, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making the evaluations. The allowance for loan losses is established through a provision for loan losses charged to expense which is based upon past loan and loss experience and an evaluation of estimated losses in the current loan portfolio, including the evaluation of impaired loans.

Under the accounting guidance *FASB ASC Topic 310 for Receivables*, a loan is considered to be impaired when, based upon current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan. An insignificant delay or insignificant shortfall in amount of payments does not necessarily result in the loan being identified as impaired. When all or a portion of the loan is deemed uncollectible, the uncollectible portion is charged-off. The measurement is based either on the present value of expected future cash flows discounted at the loan's effective interest rate, or the fair value of the collateral if the loan is collateral dependent. Impairment losses are included in the provision for loan losses.

Loan Charge-off Policies

Consumer loans are generally fully or partially charged down to the fair value of collateral securing the asset when the loan is 180 days past due for open-end loans or 90 days past due for closed-end loans unless the loan is well secured and in the process of collection. All other loans are generally charged down to the net realizable value when the loan is 90 days past due.

Troubled Debt Restructurings ("TDRs")

The Company considers a loan a TDR when the borrower is experiencing financial difficulty and the Company has granted a concession that it would not otherwise consider but for the borrower's financial difficulties. A TDR includes a modification of debt terms or assets received in satisfaction of the debt (which may include foreclosure or deed in lieu of foreclosure) or a combination of types. The Company evaluates selective criteria to determine if a borrower is experiencing financial difficulty including the ability of the borrower to obtain funds from sources other than the Bank at market rates. The Company evaluates all TDR loans for impairment on an individual basis in accordance with ASC 310. Management does not consider a loan a TDR if the loan modification was a result of a customer retention program.

Transfers of Financial Assets

Transfers of financial assets, including loan and loan participation sales, are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange

the transferred assets and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Premises and Equipment
Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the following estimated useful lives of the related assets:

	Years
Office buildings and improvements	5 – 33
Furniture, fixtures, and equipment	5 – 10
Automobiles	4

Other Real Estate Owned
Real estate owned acquired in settlement of foreclosed loans is carried as a component of other assets at fair value minus estimated cost to sell. Prior to foreclosure, the estimated collectible value of the collateral is evaluated to determine whether a partial charge-off of the loan balance is necessary. After transfer to real estate owned, any subsequent write-downs are charged against other operating expenses. Direct costs incurred in the foreclosure process and subsequent holding costs incurred on such properties are recorded as expenses of current operations.

Income Taxes
Deferred taxes are provided on the liability method, whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Goodwill and Intangible Assets
Goodwill results from business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. In certain circumstances, the Company will record a gain on bargain purchase when the fair value of the net assets of the acquired company exceeds the fair value of the equity of the acquired company. Goodwill is assessed at least annually for impairment and any such impairment will be recognized in the period identified. Intangible assets consist of core deposit intangibles arising from whole bank acquisitions. These intangible assets are measured at fair value and then amortized on an accelerated method over their estimated useful lives of ten years.

Off-Balance Sheet Financial Instruments
In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit. Such financial instruments are recorded in the Consolidated Statements of Financial Condition when they are funded.

Bank-owned Life Insurance
The Company funds the purchase of insurance policies on the lives of certain former officers and employees of the Company. The policies were purchased to help offset the increase in the costs of various fringe benefit plans, including healthcare. The Company has recognized any change in cash surrender value of life insurance in other income in the Company’s Consolidated Statements of Income.

Comprehensive Income
The Company presents a separate financial statement of comprehensive income that includes amounts from transactions and other events excluded from the Company's Consolidated Statements of Income and recorded directly to retained earnings.

Business Combinations
At the date of acquisition, the Company records the assets and liabilities of the acquired companies at fair value. The results of operations for acquired companies are included in the Company's Consolidated Statements of Income beginning at the acquisition date. Expenses arising from acquisition activities are recorded in the Consolidated Statements of Income during the period incurred.

Segment Reporting
The Company acts as an independent community financial services provider and offers traditional banking and related financial services to individual, business, and government customers. Through its branch network, the Bank offers a full array of commercial and retail financial services, including; the taking of time, savings and demand deposits; the making of commercial and mortgage loans; and the providing of other financial services. Management does not separately allocate expenses, including the cost of funding loan demand, between the commercial and retail operations of the Bank. As such, discrete financial information is not available and segment reporting would not be meaningful.

Reclassifications
Certain amounts in the previous year financial statements have been reclassified to conform to the current year presentation. These reclassifications have no impact on prior year net income or stockholders' equity.

Recent Accounting Pronouncements

Effective July 1, 2018, the Company adopted Accounting Standards Update ASU 2014-09, *Revenue from contracts with Customers – Topic 606*, and all subsequent ASUs that modified ASC 606. The Company has elected to apply the standard to all prior periods presented utilizing the full retrospective approach. The implementation of the new standard had no material impact to the measurement or recognition of revenue of prior periods. Management determined that the primary sources of revenue emanating from interest and dividend income on loans and investments along with noninterest revenue resulting from investment security gains, and earnings on bank owned life insurances are not within the scope of ASC 606. As a result, no changes were made during the period related to these sources of revenue. The main types of noninterest income within the scope of the standard are as follows: service charges on deposit accounts—the Company has contracts with its deposit customers where fees are charged if certain parameters are not met. These agreements can be cancelled at any time by either the Company or the deposit customer. Revenue from these transactions is recognized on a monthly basis as the Company has an unconditional right to the fee consideration. The Company also has transaction fees related to specific transactions or activities resulting from a customer request or activity that include overdraft fees, online banking fees, interchange fees, ATM fees and other transaction fees. These fees are attributable to specific performance obligations of the Company where the revenue is recognized at a defined point in time upon the completion of the requested service/transaction.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU revises lessee accounting. Under the new guidance, lessees are required to recognize a lease liability and a right-of-use asset for substantially all leases. The new lease guidance also simplifies the accounting for sale

and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. ASU 2016-02 is effective for the first interim period within annual periods beginning after December 15, 2018, with early adoption permitted. Adoption using the comparative modified retrospective transition approach was required; however, in July 2018, the FASB issued ASU 2018-11, Leases-Targeted Improvements, which provides an optional transition method whereby comparative periods presented in the financial statements in the period of adoption do not need to be restated under Topic 842. The Company adopted this guidance and its related amendments on July 1, 2019 using the transition option in ASU 2018-11 and the results of this adoption are recorded in the Consolidated Statements of Financial Condition. See Note 19 for additional disclosures resulting from the Company's adoption of this standard.

Subsequent to adopting ASU 2016-02, the FASB issued ASU No. 2019-01, *Leases (Topic 842)*: Codification Improvements, which makes targeted changes to lessor accounting and clarifies interim transition disclosure requirements upon adopting Topic 842. The guidance is effective for annual periods beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted. The Company adopted this guidance on July 1, 2019. See Note 19 for additional disclosures resulting from the Company's adoption of this standard.

Note 3 - Earnings Per Share

The following table presents a calculation of basic and diluted earnings per share for the years ended June 30, 2020 and 2019. Earnings per share is computed by dividing net income available to common shareholders by the weighted average number of shares of common stock outstanding. There are no convertible securities which would affect the numerator in calculating basic and diluted earnings per share; therefore, the net income of $1.3 million and $3.8 million for the years ended June 30, 2020 and 2019, respectively, was used as the numerator.

The following table sets forth the composition of the weighted average common shares (denominator) used in the basic and diluted earnings per share computation.

(Dollars in thousands, except share and per share amounts)	Year ended June 30, 2020	2019
Weighted-average common shares outstanding	4,242,978	4,156,696
Average treasury stock shares	(177,959)	(177,959)
Average unearned ESOP shares	-	-
Weighted-average common shares and common stock equivalents used to calculate basic and diluted earnings per share	4,065,019	3,978,737
Net Income	$ 1,328	$ 3,756
Basic and diluted earnings per share	$ 0.33	$ 0.94

Note 4 – Business Combinations

Acquisition of Fidelity Savings and Loan Association of Bucks County

On May 1, 2020, William Penn Bank completed its acquisition of Fidelity Savings and Loan Association of Bucks County ("Fidelity") pursuant to the terms of the Agreement and Plan of Merger, dated as of December 5, 2019, by and between William Penn, MHC, William Penn Bancorp, Inc., William Penn Bank and Fidelity (the "Fidelity Merger Agreement"). At the effective time of the merger, Fidelity was merged with and into William Penn Bank, with William Penn Bank as the surviving institution, and the depositors of Fidelity became depositors of William Penn Bank, with the same rights and privileges in William Penn, MHC as if their accounts had been established at William Penn Bank on the date established at Fidelity. As part of the transaction, pursuant to the terms of the Fidelity Merger Agreement, William Penn Bancorp, Inc. issued 255,325 shares of its common stock to William Penn, MHC.

The acquisition of Fidelity increased the Company's market share in southeastern Pennsylvania and provided the Company with one new branch location. The results of Fidelity's operations are included in the Company's Consolidated Statements of Income for the period beginning on May 1, 2020, the date of the acquisition, through June 30, 2020.

The acquisition of Fidelity was accounted for using the acquisition method of accounting for a mutual-to-mutual merger and, accordingly, assets acquired, liabilities assumed, and equity were recorded at their estimated fair values as of the acquisition date. The excess of the fair value of net assets acquired over the fair value of the equity acquired was recorded as a gain on bargain purchase in the amount of $613 thousand, which was recognized immediately as income in the Company's consolidated statements of income. The gain on bargain purchase was primarily due to lower estimated discounted future cash flows used to calculate the estimated fair value of equity due to the uncertainty of the COVID-19 pandemic, as well as a decline in public peer bank stocks pricing used to estimate change of control premium fair values when estimating the fair value of equity due to the COVID-19 pandemic.

In connection with the acquisition of Fidelity, the fair value of equity, and the fair value of identifiable assets acquired and liabilities assumed as of the date of acquisition are summarized in the following table:

(Dollars in thousands)		
Fair Value of Equity		**$ 11,377**
Assets acquired:		
Cash and due from financial institutions	$ 26,867	
Interest-bearing time deposits	462	
Loans receivable, net	55,949	
Premises and equipment	747	
Regulatory stock	334	
Deferred income taxes	564	
Other real estate owned	100	
Core deposit intangible	65	
Accrued interest receivable	209	
Other assets	272	
Total assets	$ 85,569	
Liabilities assumed:		
Deposits	$ (66,409)	
Advances from Federal Home Loan Bank	(5,688)	
Accrued interest payable	(5)	
Other liabilities	(1,477)	
Total liabilities	$ (73,579)	
Net assets acquired		**11,990**
Gain on Bargain Purchase		**$ (613)**

In many cases, the fair values of assets acquired and liabilities assumed were determined by estimating the cash flows expected to result from those assets and liabilities and discounting them at appropriate market rates. The most significant category of assets for which this procedure was used was acquired loans. The excess of expected cash flows above the fair value of loans will be accreted to interest income over the remaining lives of the loans in accordance with FASB ASC 310-20.

Certain loans, for which specific credit-related deterioration was identified, are recorded at fair value, reflecting the present value of the amounts expected to be collected. Income recognition on these loans is based on a reasonable expectation of the timing and amount of cash flows to be collected. The timing of the sale of loan collateral was estimated for acquired loans deemed impaired and considered collateral dependent. For these collateral dependent impaired loans, the excess of the future expected cash flow over the present value of the future expected cash flow represents the accretable yield, which will be accreted into interest income over the estimated liquidation period using the effective interest method.

The following table details the loans that are accounted for in accordance with FASB ASC 310-30 as of May 1, 2020:

(Dollars in thousands)		
Contractually required principal and interest at acquisition	$	619
Contractual cash flows not expected to be collected (nonaccretable difference)		431
Expected cash flows at acquisition		188
Interest component of expected cash flows (accretable discount)		27
Fair value of acquired loans accounted for under FASB ASC 310-30	$	161

Acquired loans not subject to the requirements of FASB ASC 310-30 are recorded at fair value. The fair value mark on each of these loans will be accreted into interest income over the remaining life of the loan. The following table details loans that are not accounted for in accordance with FASB ASC 310-30 as of May 1, 2020:

(Dollars in thousands)		
Contractually required principal at acquisition	$	56,785
Contractual cash flows not expected to be collected (credit mark)		1,240
Expected cash flows at acquisition		55,545
Interest rate premium mark		243
Fair value of acquired loans not accounted for under FASB ASC 310-30	$	55,788

In accordance with GAAP, there was no carryover of the allowance for loan losses that had been previously recorded by Fidelity.

In connection with the acquisition of Fidelity, the Company recorded a net deferred income tax asset of $564 thousand related to tax attributes of the acquired company, along with the tax effects of fair value adjustments resulting from applying the acquisition method of accounting.

The fair value of savings and transaction deposit accounts acquired from Fidelity provide value to the Company as a source of stable and low-cost funds. The fair value of the core deposit intangible ("CDI") was determined based on a discounted cash flow analysis. To calculate cash flows, deposit account servicing costs (net of deposit fee income) and interest expense on deposits were compared to the cost of alternative funding sources available to the Company. The life of the deposit base and projected deposit attrition rates were determined using industry historical deposit data. The CDI was valued at $65 thousand or 0.17% of acquired core deposits. The intangible asset is being amortized on an accelerated basis over ten years. Amortization for the year ended June 30, 2020 was $2 thousand.

Certificates of deposit accounts were valued by comparing the contractual cost of the portfolio to an alternative deposit portfolio bearing current market rates. The portfolio was segregated into pools based on remaining maturity. For each pool, the projected cash flows from maturing certificates were

then calculated based on contractual rates and prevailing market rates. The valuation adjustment for each pool is equal to the present value of the difference of these two cash flows, discounted at the assumed market rate for a certificate with a corresponding maturity. This valuation adjustment was valued at $393 thousand and is being amortized in line with the expected cash flows driven by maturities of these deposits over the next five years. Amortization for the year ended June 30, 2020 was $35 thousand recorded as a reduction to interest expense.

Borrowings from the Federal Home Loan Bank (FHLB) of Pittsburgh were valued comparing the contractual cost of the borrowings to current market rates. The future cash flows for each borrowing was calculated based on contractual rates and prevailing market rates. The valuation adjustment for each borrowing is equal to the present value of the difference of these two cash flows, discounted at an assumed market rate for the borrowing. This valuation adjustment was valued at $433 thousand and is being amortized over the remaining life of the individual borrowings. Amortization for the year ended June 30, 2020 was $17 thousand recorded as a reduction to interest expense.

The following table presents actual operating results attributable to Fidelity since the May 1, 2020 acquisition date through June 30, 2020. This information does not include purchase accounting adjustments or acquisition integration costs.

(Dollars in thousands)		Fidelity May 1, 2020 to June 30, 2020
Net interest income	$	313
Non-interest income		17
Non-interest expense		(331)
Pre-tax income	$	(1)
Income tax expense		-
Net income	$	(1)

The following table presents unaudited pro forma information as if the acquisition of Fidelity had occurred on July 1, 2018. This pro forma information gives effect to certain adjustments, including purchase accounting fair value adjustments, amortization of core deposit and other intangibles and related income tax effects. Acquisition costs expensed by William Penn Bank of $1.5 million and Fidelity of $227 thousand were estimated to have been incurred during the year ended June 30, 2019.

The pro forma information does not necessarily reflect the results of operations that would have occurred had the acquisition of Fidelity occurred on July 1, 2018. Expected cost savings are not reflected in the pro forma amounts.

(Dollars in thousands)	Pro Forma for the Year Ended June 30, 2020		Pro Forma for the Year Ended June 30, 2019	
Net interest income	$	17,352	$	17,478
Provision for loan losses		(695)		(105)
Non-interest income		1,672		1,915
Non-interest expense		(16,005)		(14,819)
Pre-tax income	$	2,324	$	4,469
Income tax expense		488		938
Net income	$	1,836	$	3,531
Earnings per share basic and diluted	$	0.41	$	0.79

Acquisition of Washington Savings Bank

On May 1, 2020, William Penn Bank also completed its acquisition of Washington Savings Bank ("Washington") pursuant to the terms of the Agreement and Plan of Merger, dated as of December 5, 2019, by and between William Penn, MHC, William Penn Bancorp, Inc., William Penn Bank and Washington (the "Washington Merger Agreement"). At the effective time of the merger, Washington was merged with and into William Penn Bank, with William Penn Bank as the surviving institution, and the depositors of Washington became depositors of William Penn Bank, with the same rights and privileges in William Penn, MHC as if their accounts had been established at William Penn Bank on the date established at Washington. As part of the transaction, pursuant to the terms of the Washington Merger Agreement, William Penn Bancorp, Inc. issued 253,866 shares of its common stock to William Penn, MHC.

The acquisition of Washington increased the Company's market share in southeastern Pennsylvania and provided the Company with four new branch locations. The results of Washington's operations are included in the Company's consolidated statements of income for the period beginning on May 1, 2020, the date of the acquisition, through June 30, 2020.

The acquisition of Washington was accounted for using the acquisition method of accounting for a mutual-to-mutual merger and, accordingly, assets acquired, liabilities assumed, and equity were recorded at their estimated fair values as of the acquisition date. The excess of the fair value of net assets acquired over the fair value of the equity acquired was recorded as a gain on bargain purchase in the amount of $133 thousand, which was recognized immediately as income in the Company's consolidated statements of income. The gain on bargain purchase was primarily due to lower estimated discounted future cash flows used to calculate the estimated fair value of equity due to the uncertainty of the COVID-19 pandemic, as well as a decline in public peer bank stocks pricing used to estimate change of control premium fair values when estimating the fair value of equity due to the COVID-19 pandemic.

In connection with the acquisition of Washington, the fair value of equity, and the fair value of identifiable assets acquired and liabilities assumed as of the date of acquisition are summarized in the following table:

(Dollars in thousands)		
Fair Value of Equity		**$ 9,165**
Assets acquired:		
Cash and due from financial institutions	$ 21,981	
Securities available for sale	1,996	
Interest-bearing time deposits	100	
Loans receivable, net	121,520	
Premises and equipment	6,356	
Regulatory stock	1,214	
Deferred income taxes	2,154	
Bank-owned life insurance	3,208	
Core deposit intangible	197	
Accrued interest receivable	413	
Other assets	146	
Total assets	$ 159,285	
Liabilities assumed:		
Deposits	$(135,546)	
Advances from Federal Home Loan Bank	(11,281)	
Accrued interest payable	(145)	
Other liabilities	(3,015)	
Total liabilities	$(149,987)	
Net assets acquired		**9,298**
Gain on Bargain Purchase		**$ (133)**

In many cases, the fair values of assets acquired and liabilities assumed were determined by estimating the cash flows expected to result from those assets and liabilities and discounting them at appropriate market rates. The most significant category of assets for which this procedure was used was acquired loans. The excess of expected cash flows above the fair value of loans will be accreted to interest income over the remaining lives of the loans in accordance with FASB ASC 310-20.

Certain loans, for which specific credit-related deterioration was identified, are recorded at fair value, reflecting the present value of the amounts expected to be collected. Income recognition on these loans is based on a reasonable expectation of the timing and amount of cash flows to be collected. The timing of the sale of loan collateral was estimated for acquired loans deemed impaired and considered collateral dependent. For these collateral dependent impaired loans, the excess of the future expected cash flow over the present value of the future expected cash flow represents the

accretable yield, which will be accreted into interest income over the estimated liquidation period using the effective interest method.

The following table details the loans that are accounted for in accordance with FASB ASC 310-30 as of May 1, 2020:

(Dollars in thousands)		
Contractually required principal and interest at acquisition	$	420
Contractual cash flows not expected to be collected (nonaccretable difference)		230
Expected cash flows at acquisition		190
Interest component of expected cash flows (accretable discount)		27
Fair value of acquired loans accounted for under FASB ASC 310-30	$	163

Acquired loans not subject to the requirements of FASB ASC 310-30 are recorded at fair value. The fair value mark on each of these loans will be accreted into interest income over the remaining life of the loan. The following table details loans that are not accounted for in accordance with FASB ASC 310-30 as of May 1, 2020:

(Dollars in thousands)		
Contractually required principal at acquisition	$	125,491
Contractual cash flows not expected to be collected (credit mark)		2,440
Expected cash flows at acquisition		123,051
Interest rate discount mark		1,694
Fair value of acquired loans not accounted for under FASB ASC 310-30	$	121,357

In accordance with GAAP, there was no carryover of the allowance for loan losses that had been previously recorded by Washington.

In connection with the acquisition of Washington, the Company recorded a net deferred income tax asset of $2.2 million related to a net operating loss carryforward and other tax attributes of the acquired company, along with the tax effects of fair value adjustments resulting from applying the acquisition method of accounting.

The fair value of savings and transaction deposit accounts acquired from Washington provide value to the Company as a source of stable and low-cost funds. The fair value of the core deposit intangible ("CDI") was determined based on a discounted cash flow analysis. To calculate cash flows, deposit account servicing costs (net of deposit fee income) and interest expense on deposits were compared to the cost of alternative funding sources available to the Company. The life of the deposit base and projected deposit attrition rates were determined using industry historical deposit data. The CDI was valued at $197 thousand or 0.26% of acquired core deposits. The intangible asset is being amortized on an accelerated basis over ten years. Amortization for the year ended June 30, 2020 was $6 thousand.

Certificates of deposit accounts were valued by comparing the contractual cost of the portfolio to an alternative deposit portfolio bearing current market rates. The portfolio was segregated into pools based on remaining maturity. For each pool, the projected cash flows from maturing certificates were then calculated based on contractual rates and prevailing market rates. The valuation adjustment for each pool is equal to the present value of the difference of these two cash flows, discounted at the assumed market rate for a certificate with a corresponding maturity. This valuation adjustment was valued at $1.2 million and is being amortized in line with the expected cash flows driven by maturities of these deposits over the next five years. Amortization for the year ended June 30, 2020 was $116 thousand recorded as a reduction to interest expense.

Borrowings from the FHLB of Pittsburgh were valued comparing the contractual cost of the borrowings to current market rates. The future cash flows for each borrowing was calculated based on contractual rates and prevailing market rates. The valuation adjustment for each borrowing is equal to the present value of the difference of these two cash flows, discounted at an assumed market rate for the borrowing. This valuation adjustment was valued at $281 thousand and is being amortized over the remaining life of the individual borrowings. Amortization for the year ended June 30, 2020 was $29 thousand recorded as a reduction to interest expense.

The following table presents actual operating results attributable to Washington since the May 1, 2020 acquisition date through June 30, 2020. This information does not include purchase accounting adjustments or acquisition integration costs.

(Dollars in thousands)	Washington May 1, 2020 to June 30, 2020	
Net interest income	$	591
Non-interest income		67
Non-interest expense		(628)
Pre-tax income	$	30
Income tax expense		(6)
Net income	$	24

The following table presents unaudited pro forma information as if the acquisition of Washington had occurred on July 1, 2018. This pro forma information gives effect to certain adjustments, including purchase accounting fair value adjustments, amortization of core deposit and other intangibles and related income tax effects. Acquisition costs expensed by William Penn Bank of $1.8 million and Washington of $312 thousand were estimated to have been incurred during the year ended June 30, 2019.

The pro forma information does not necessarily reflect the results of operations that would have occurred had the acquisition of Washington occurred on July 1, 2018. Expected cost savings are not reflected in the pro forma amounts.

(Dollars in thousands)	Pro Forma for the Year Ended June 30, 2020		Pro Forma for the Year Ended June 30, 2019	
Net interest income	$	19,112	$	20,149
Provision for loan losses		(752)		(196)
Non-interest income		2,409		1,715
Non-interest expense		(17,392)		(18,223)
Pre-tax income	$	3,377	$	3,445
Income tax expense		709		723
Net income	$	2,668	$	2,722
Earnings per share basic and diluted	$	0.59	$	0.61

Acquisition of Audubon Savings Bank

On July 1, 2018, William Penn Bank also completed its acquisition of Audubon Savings Bank ("ASB") pursuant to the terms of the Agreement and Plan of Merger, dated as of December 6, 2017, by and between William Penn, MHC, William Penn Bancorp, Inc., William Penn Bank and ASB (the "Audubon Merger Agreement"). At the effective time of the merger, ASB was merged with and into William Penn Bank, with William Penn Bank as the surviving institution, and the depositors of ASB became depositors of William Penn Bank, with the same rights and privileges in William Penn, MHC as if their accounts had been established at William Penn Bank on the date established at ASB. As part of the transaction, pursuant to the terms of the Audubon Merger Agreement, William Penn Bancorp, Inc. issued 517,095 shares of its common stock to William Penn, MHC.

At the time of the merger, ASB had total assets at fair value of $149.1 million, including $86.8 million in loans at fair value, and $107.2 million in deposits at fair value. The transaction was recorded as a purchase and, accordingly, the operating results of ASB have been included in the Company's Consolidated Financial Statements since the close of business on July 1, 2018.

As of June 30, 2019, the estimated future amortization expense for the core deposit intangible is as follows (in thousands):

	Core deposit intangible	
2020	$	234
2021		208
2022		182
2023		156
2024		130
Thereafter		262
	$	1,172

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition for ASB. Core deposit intangibles will be amortized over a period of ten year using an accelerated method. Goodwill will not be amortized, but instead will be evaluated for impairment.

Consideration paid		**$ 12,250**
Assets acquired:		
Cash and due from financial institutions	$ 6,693	
Securities available for sale	39,113	
Loans receivable, net	86,840	
Premises and equipment	6,056	
Regulatory stock	1,610	
Deferred income taxes	1,256	
Bank-owned life insurance	4,944	
Core deposit intangible	1,432	
Accrued interest receivable	522	
Other assets	683	
Total assets	149,149	
Liabilities assumed:		
Deposits	$(107,180)	
Advances from Federal Home Loan Bank	(32,380)	
Accrued interest payable	(81)	
Other liabilities	(2,116)	
Total liabilities	(141,757)	
Net assets acquired		**7,392**
Goodwill resulting from ASB merger		**$ 4,858**

The acquired assets and liabilities were measured at estimated fair values. Management made certain estimates and exercised judgment in accounting for the acquisition. The following is a description of the methods used to determine fair value of significant assets and liabilities at the acquisition date:

Cash: The Company acquired $6.7 million in cash, which management deemed to reflect fair value based on the short-term nature of the asset.

Loans: The Company acquired $86.8 million in loans receivable with and without evidence of credit quality deterioration. The loans consisted of commercial loans, commercial real estate loans, residential mortgage loans (including home equity secured lines of credit), real estate construction loans, and consumer and other loans. The fair value of the performing loan portfolio includes separate adjustments to reflect a credit risk of $1.2 million and marketability component and a yield component totaling $(366) thousand reflecting the differential between portfolio and market yields.

Deposits: The Company acquired $107.2 million in deposits. Savings and transaction accounts are variable, have no stated maturity and can be withdrawn on short notice with no penalty. Therefore, the fair value of such deposits is considered equal to the carrying value. The fair value of CD's consists of comparing the contractual cost of the CD's to the market rates with corresponding maturities. The valuation adjustment of $44 thousand reflects the present value of the difference between the cash flows attributable to the CD's based on contractual and market rates. The core deposit intangible of $1.4 million is determined by the present value difference of the net cost of the core deposit versus the same amount for an alternative funding source.

Borrowings: Borrowings from the FHLB of New York were valued comparing the contractual cost of the borrowings to current market rates. The future cash flows for each borrowing was calculated based on contractual rates and prevailing market rates. The valuation adjustment for each borrowing is equal to the present value of the difference of these two cash flows, discounted at an assumed market rate for the borrowing. This valuation adjustment was valued at $880 thousand and is being amortized over the remaining life of the individual borrowings.

This acquisition provided the Company with the strategic opportunity to expand into new markets that are projected to be vibrant in population growth and business opportunity growth. The acquisition also created synergies on the operational side of the Company by allowing noninterest expenses to be spread over a larger operating base.

Note 5 – Changes in and Reclassifications Out of Accumulated Other Comprehensive Income

The following tables present the changes in the balances of each component of accumulated other comprehensive income ("AOCI") for the years ended June 30, 2020 and 2019. All amounts are presented net of tax.

(Dollars in thousands)

Accumulated Other Comprehensive Income (1)		Unrealized Gains (Losses) on Securities Available for Sale
Balance at June 30, 2018	$	219
Other comprehensive income before reclassifications		120
Amounts reclassified from accumulated other comprehensive income		(111)
Period change		9
Balance at June 30, 2019	$	228
Other comprehensive income before reclassifications		36
Amounts reclassified from accumulated other comprehensive income		(188)
Period change		(152)
Balance at June 30, 2020	$	76

(1) All amounts are net of tax. Related income tax expense is calculated using an income tax rate approximating 21%.

The following table presents reclassifications out of AOCI by component for the years ended June 30, 2020 and 2019:

(Dollars in thousands)

Details about Accumulated Other Comprehensive Income Components	Amounts Reclassified from Other Comprehensive Income (1) 2020	2019	Affected Line Item in the Consolidated Statements of Income
Securities available for sale:			
Net securities gains reclassified into net income	$ 238	$ 140	Gain on sale of securities
Related income tax expense	(50)	(29)	Income tax expense
	$ 188	$ 111	

(1) Amounts in parenthesis indicate debits.

Note 6 –Interest-Bearing Time Deposits

The interest-bearing time deposits by contractual maturity are shown below:

	Year ended June 30,	
(Dollars in thousands)	**2020**	**2019**
Due in one year or less	$ 1,050	$ 7,986
Due after one year through five years	1,250	500
	$ 2,300	$ 8,486

Note 7 – Investment Securities

The amortized cost, gross unrealized gains and losses, and estimated fair value of investments in debt securities are as follows:

	June 30, 2020			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available For Sale:				
Mortgage-backed securities	$ 51,570	$ 272	$ (104)	$ 51,738
U.S. agency collateralized mortgage obligations	3,215	33	(33)	3,215
U.S. government agency securities	6,226	2	(73)	6,155
U.S. treasury securitites	1,000	-	-	1,000
Municipal bonds	10,485	33	(10)	10,508
Corporate bonds	17,399	60	(77)	17,382
Total Available For Sale	**$ 89,895**	**$ 400**	**$ (297)**	**$ 89,998**

	June 30, 2019			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available For Sale:				
Mortgage-backed securities	$ 3,609	$ 69	$ -	$ 3,678
U.S. agency collateralized mortgage obligations	5,634	138	(5)	5,767
U.S. government agency securities	10,865	68	(21)	10,912
Private label collateralized mortgage obligations	264	39	-	303
Total Available For Sale	**$ 20,372**	**$ 314**	**$ (26)**	**$ 20,660**
Held to Maturity:				
Mortgage-backed securities	$ 1,500	$ 37	$ (15)	$ 1,522
U.S. agency collateralized mortgage obligations	206	8	-	214
Municipal bonds	100	-	-	100
Corporate bonds	100	1	-	101
Total Held to Maturity	**$ 1,906**	**$ 46**	**$ -**	**$ 1,937**

The Company recognized $241 thousand of gross gains and $3 thousand of gross losses on the sale of $13.6 million of investment securities during the year ended June 30, 2020. The Company recognized $156 thousand of gross gains and $16 thousand of gross losses on the sale of $40.4 million of investment securities during the year ended June 30, 2019.

During the year ended June 30, 2020, the Company transferred the remaining balance of its held to maturity securities of $1.6 million to available for sale securities. As of June 20, 2020, the Company had no securities classified as held to maturity.

The amortized cost and fair value of debt securities, by contractual maturity, are shown below. Maturities for mortgage-backed securities are dependent upon the rate environment and prepayments of the underlying loans. Expected maturities may differ from contractual maturities because the securities may be called or prepaid with or without penalties.

	June 30, 2020	
	Available for Sale	
(Dollars in thousands)	Amortized Cost	Fair Value
Due in one year or less	$ 2,904	$ 2,893
Due after one year through five years	9,632	9,611
Due after five years through ten years	7,606	7,602
Due after ten years	69,753	69,892
	$ 89,895	**$ 89,998**

The following tables provide information on the gross unrealized losses and fair market value of the Company's investments with unrealized losses that are not deemed to be other than temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2020 and 2019:

	June 30, 2020					
	Less than 12 Months		12 Months or More		Total	Total
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available For Sale:						
Mortgage-backed securities	$ 22,082	$ 104	$ -	$ -	$ 22,082	$ 104
U.S. agency collateralized mortgage obligations	1,513	14	1,129	19	2,642	33
U.S. government agency securities	4,922	49	914	24	5,836	73
Municipal bonds	3,694	10	-	-	3,694	10
Corporate bonds	5,222	77	-	-	5,222	77
Total Temporarily Impaired Securities	**$ 37,433**	**$ 254**	**$ 2,043**	**$ 43**	**$ 39,476**	**$ 297**

	June 30, 2019					
	Less than 12 Months		12 Months or More		Total	Total
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available For Sale:						
U.S. agency collateralized mortgage obligations	$ 1,237	$ 5	$ -	$ -	$ 1,237	$ 5
U.S. government agency securities	2,524	21	-	-	2,524	21
	3,761	26	-	-	3,761	26
Held to Maturity:						
Mortgage-backed securities	-	-	716	15	716	15
	-	-	716	15	716	15
Total Temporarily Impaired Securities	**$ 3,761**	**$ 26**	**$ 716**	**$ 15**	**$ 4,477**	**$ 41**

The Company evaluates its investment securities holdings for other-than-temporary impairment ("OTTI") on at least a quarterly basis. As part of this process, management considers its intent to sell each debt security and whether it is more likely than not the Company will be required to sell the security before its anticipated recovery. If either of these conditions is met, OTTI is recognized in earnings equal to the entire difference between the security's amortized cost basis and its fair value at the Statement of Financial Condition date. For securities that meet neither of these conditions,

management performs analysis to determine whether any of these securities are at risk for OTTI. To determine which individual securities are at risk for OTTI and should be quantitatively evaluated utilizing a detailed analysis, management uses indicators which consider various characteristics of each security including, but not limited to, the following: the credit rating; the duration and level of the unrealized loss; prepayment assumptions; and certain other collateral-related characteristics such as delinquency rates, the security's performance, and the severity of expected collateral losses.

The unrealized loss on securities greater than 12 months is due to current interest rate levels relative to the Company's cost. Because the unrealized losses are due to current interest rate levels relative to the Company's cost and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell these investments before recovery of its amortized cost, which may be at maturity, the Company does not consider these investments to be other-than temporarily impaired at June 30, 2020. There were 29 investment securities that were temporarily impaired at June 30, 2020.

Based on its analysis, management has concluded that the investment securities portfolio has experienced unrealized losses and a decrease in fair value due to interest rate volatility. However, the decline is considered temporary, and the Company does not intend to sell these securities nor is it more likely than not the Company would be required to sell the security before its anticipated recovery, which may be maturity.

At June 30, 2020 and 2019, $3.7 million and $832 thousand, respectively, of investment securities were pledged to secure municipal deposits.

Note 8 – Loans

Major classifications of loans at June 30, 2020 and 2019 are summarized as follows:

(Dollars in thousands)	June 30, 2020 Amount	June 30, 2020 Percent	June 30, 2019 Amount	June 30, 2019 Percent
Residential real estate:				
1-4 family	$ 345,915	66.85 %	$ 220,176	65.98 %
Home equity and HELOCs	47,054	9.10	31,905	9.56
Construction -residential	15,799	3.05	9,739	2.92
Commercial real estate:				
Multi-family (five or more)	14,964	2.89	11,028	3.30
Commercial non-residential	76,707	14.83	53,557	16.05
Construction and land	6,690	1.29	4,438	1.33
Commercial	6,438	1.24	2,099	0.63
Consumer Loans	3,900	0.75	741	0.22
Total Loans	517,467	100.00 %	333,683	100.00 %
Loans in process	(4,895)		(3,669)	
Unearned loan origination fees	(448)		(788)	
Allowance for loan losses	(3,519)		(3,209)	
Net Loans	$ 508,605		$ 326,017	

At June 30, 2020 and 2019, the balance of 1-4 family residential real estate loans includes $114.1 million and $87.1 million of loans on non-owner-occupied, one-to-four-family residences ("investor loans"), representing approximately 22.0% and 26.1% of total loans, respectively. The $114.1 million of one- to four-family investor loans at June 30, 2020 includes: $113.6 million of first mortgages and $507 thousand of second mortgages. The $87.1 million of one- to four-family investor loans at June 30, 2019 includes: $86.3 million of first mortgages and $729 thousand of second mortgages.

During the quarter ended June 30, 2020, William Penn provided $2.4 million in Paycheck Protection Program (PPP) loans for 56 new and existing customers. The $2.4 million of PPP loans are included in commercial loans in the above table and are guaranteed by the Small Business Administration and mature in two years. During the quarter ended June 30, 2020, William Penn also modified approximately $49.8 million of existing loans under the 2020 Coronavirus Aid, Relief, and Economic Security ("CARES") Act to provide its customers with monetary relief. Generally, these modifications included the deferral of principal and interest payments for a period of three months, although interest income continued to accrue. The three-month deferral period has ended on a portion of the loans on deferral and William Penn received payments of principal and interest on a portion of the loans on deferral and, as of August 31, 2020, $6.0 million of loans remain on deferral under the CARES Act.

Mortgage loans serviced for others are not included in the accompanying Consolidated Statements of Financial Condition. The total amount of loans serviced for the benefit of others was approximately $26.6 million and $12.4 million at June 30, 2020 and 2019, respectively. Custodial escrow balances

maintained in connection with the foregoing loan servicing are included in advances from borrowers for taxes and insurance.

Allowance for Loan Losses. The following tables set forth the allocation of the Bank's allowance for loan losses by loan category and the percent of loans in each category to total loans receivable, net, at the dates indicated. The portion of the loan loss allowance allocated to each loan category does not represent the total available for future losses which may occur within the loan category since the total loan loss allowance is a valuation allocation applicable to the entire loan portfolio. The Company generally charges-off the collateral or discounted cash flow deficiency on all loans at 90 days past due and all loans rated substandard or worse that are 90 days past due.

The provision for loan losses was determined by management to be an amount necessary to maintain a balance of allowance for loan losses at a level that considers all known and current losses in the loan portfolio as well as potential losses due to unknown factors such as the economic environment. Changes in the provision were based on management's analysis of various factors such as: estimated fair value of underlying collateral, recent loss experience in particular segments of the portfolio, levels and trends in delinquent loans, and changes in general economic and business conditions. The Company considers the allowance for loan losses of $3.5 million adequate to cover loan losses inherent in the loan portfolio at June 30, 2020.

The following table presents by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans for the years ended June 30, 2020 and 2019, respectively:

June 30, 2020	**Residential real estate:**			**Commercial real estate:**						
(Dollar amounts in thousands)	**1-4 family**	**Home Equity and HELOCs**	**Construction-residential**	**Multi-family (five or more)**	**Commercial non-residential**	**Construction and Land**	**Commercial**	**Consumer**	**Unallocated**	**Total**
Allowance for credit losses:										
Beginning balance	$ 1,501	$ 122	$ 321	$ 71	$ 708	$ 121	$ 95	$ 3	$ 267	$ 3,209
Charge-offs	(260)	(6)	-	-	(35)	-	(3)	(12)	-	(316)
Recoveries	-	-	-	-	-	-	-	-	-	-
Provision	242	50	205	52	54	275	(9)	24	(267)	626
Ending Balance	$ 1,483	$ 166	$ 526	$ 123	$ 727	$ 396	$ 83	$ 15	$ -	$ 3,519
Allowance ending balance:										
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	1,483	166	526	123	727	396	83	15	-	3,519
Total allowance	$ 1,483	$ 166	$ 526	$ 123	$ 727	$ 396	$ 83	$ 15	$ -	$ 3,519
Loans receivable ending balance:										
Individually evaluated for impairment	$ 973	$ 628	$ -	$ 185	$ 585	$ -	$ -	$ -	$ -	$ 2,371
Collectively evaluated for impairment	189,055	15,677	9,218	9,267	45,214	6,690	4,150	713	-	279,984
Acquired non-credit impaired loans (1)	155,588	30,727	6,581	5,512	30,908	-	2,288	3,187	-	234,791
Acquired credit impaired loans (2)	299	22	-	-	-	-	-	-	-	321
Total portfolio	$ 345,915	$ 47,054	$ 15,799	$ 14,964	$ 76,707	$ 6,690	$ 6,438	$ 3,900	$ -	$ 517,467

(1) Acquired non-credit impaired loans are evaluated collectively, excluding loans that have subsequently moved to non-accrual status which are individually evaluated for impairment.

(2) Acquired credit impaired loans are evaluated on an individual basis.

June 30, 2019	Residential real estate:			Commercial real estate:						
(Dollar amounts in thousands)	1-4 family	Home Equity and HELOCs	Construction-residential	Multi-family (five or more)	Commercial non-residential	Construction and Land	Commercial	Consumer	Unallocated	Total
Allowance for credit losses:										
Beginning balance	$ 1,478	$ 58	$ 191	$ 116	$ 388	$ 903	$ 4	$ -	$ -	$ 3,138
Charge-offs	(21)	-	-	-	-	-	-	-	-	(21)
Recoveries	4	-	-	-	-	-	-	-	-	4
Provision	40	64	130	(45)	320	(782)	91	3	267	88
Ending Balance	$ 1,501	$ 122	$ 321	$ 71	$ 708	$ 121	$ 95	$ 3	$ 267	$ 3,209
Allowance ending balance:										
Individually evaluated for impairment	$ 58	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 58
Collectively evaluated for impairment	1,443	122	321	71	708	121	95	3	267	3,151
Total allowance	$ 1,501	$ 122	$ 321	$ 71	$ 708	$ 121	$ 95	$ 3	$ 267	$ 3,209
Loans receivable ending balance:										
Individually evaluated for impairment	$ 2,557	$ 1,185	$ -	$ -	$ 662	$ -	$ -	$ -	$ -	$ 4,404
Collectively evaluated for impairment	180,310	20,858	9,739	10,533	28,572	2,888	1,728	735	-	255,363
Acquired non-credit impaired loans (1)	37,309	9,862	-	495	24,323	1,550	371	6	-	73,916
Total portfolio	$ 220,176	$ 31,905	$ 9,739	$ 11,028	$ 53,557	$ 4,438	$ 2,099	$ 741	$ -	$ 333,683

(1) Acquired non-credit impaired loans are evaluated collectively, excluding loans that have subsequently moved to non-accrual status which are individually evaluated for impairment.

During the year ended June 30, 2020, the changes in the provision for loan losses related to 1-4 family residential real estate, residential real estate construction loans and commercial real estate land loans were primarily due to concerns with the risk profile of these portfolios in the current economic environment as impacted by the COVID-19 pandemic. The increase in reserves due to the COVID-19 pandemic was limited by the Company making enhancements to its credit management function by adding new experienced team members and implementing more robust internal credit measurement and monitoring processes.

During the year ended June 30, 2019, the change in the provision for loan losses related to residential real estate loans was primarily due to modest growth in the originated loan portfolio and maintaining of strong credit quality of the portfolio. There was also a change in related reserves for commercial real estate loans resulting from the removal of a large classified loan that was partially offset by an increase in commercial non-residential loan growth.

Credit Quality Information

The following tables represent credit exposures by internally assigned grades for the year ended June 30, 2020 and 2019, respectively. The grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Company's internal credit risk grading system is based on experiences with similarly graded loans.

The Company's internally assigned grades are as follows:

Pass – loans which are protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral.

Special Mention – loans where a potential weakness or risk exists, which could cause a more serious problem if not corrected.

Substandard – loans that have a well-defined weakness based on objective evidence and are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful – loans classified as doubtful have all the weaknesses inherent in a substandard asset. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable, based on existing circumstances.

Loss – loans classified as a loss are considered uncollectible, or of such value that continuance as an asset is not warranted.

The following tables set forth the amounts of the portfolio of classified asset categories for the commercial loan portfolios at June 30, 2020 and 2019:

June 30, 2020

	Commercial Real Estate				
	Multi-family	Non-residential	Construction and land	Commercial	Total
Pass	$ 13,976	$ 75,973	$ 6,690	$ 6,438	$ 103,077
Special Mention	803	507	-	-	1,310
Substandard	185	227	-	-	412
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Ending Balance	$ 14,964	$ 76,707	$ 6,690	$ 6,438	$ 104,799

June 30, 2019

	Commercial Real Estate				
	Multi-family	Non-residential	Construction and land	Commercial	Total
Pass	$ 10,445	$ 52,151	$ 4,438	$ 2,099	$ 69,133
Special Mention	394	744	-	-	1,138
Substandard	189	662	-	-	851
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Ending Balance	$ 11,028	$ 53,557	$ 4,438	$ 2,099	$ 71,122

The following tables set forth the amounts of the portfolio of classified asset categories for the residential and consumer loan portfolios at June 30, 2020 and 2019:

Residential Real Estate and Consumer Loans
Credit Risk Internally Assigned
(Dollars in thousands)

June 30, 2020

	Residential Real Estate				
	1-4 family	Home equity & HELOCs	Construction	Consumer	Total
Performing	$ 343,562	$ 46,580	$ 15,799	$ 3,785	$ 409,726
Non-performing	2,353	474	-	115	2,942
	$ 345,915	$ 47,054	$ 15,799	$ 3,900	$ 412,668

June 30, 2019

	Residential Real Estate				
	1-4 family	Home equity & HELOCs	Construction	Consumer	Total
Performing	$ 218,899	$ 31,380	$ 9,739	$ 741	$ 260,759
Non-performing	1,277	525	-	-	1,802
	$ 220,176	$ 31,905	$ 9,739	$ 741	$ 262,561

Loans Acquired with Deteriorated Credit Quality

The outstanding principal and related carrying amount of loans acquired with deteriorated credit quality, for which the Company applies the provisions of ASC 310-30, as of June 30, 2020, are as follows. There were no loans acquired with deteriorated credit quality as of June 30, 2019.

(Dollars in thousands)	June 30, 2020
Outstanding principal balance	$773
Carrying amount	321

The following table presents changes in the accretable discount on loans acquired with deteriorated credit quality, for which the Company applies the provisions of ASC 310-30, for the year ended June 30, 2020:

(Dollars in thousands)	Accretable Discount
Balance, May 1, 2020	$57
Accretion	(4)
Balance, June 30, 2020	$53

Loan Delinquencies and Non-accrual Loans

Following are tables which include an aging analysis of the recorded investment of past due loans as of June 30, 2020 and 2019.

Aged Analysis of Past Due and Non-accrual Loans
As of June 30, 2020

(Dollar amounts in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Acquired Credit Impaired	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing	Recorded Investment Loans on Non-Accrual
Residential real estate:									
1-4 family	$ 235	$ 1,020	$ 1,477	$ 2,732	$ 299	$ 342,884	$ 345,915	$ -	$ 2,353
Home equity and HELOCs	126	101	181	408	22	46,624	47,054	90	384
Construction - residential	-	-	-	-	-	15,799	15,799	-	-
Commercial real estate:									
Multi-family	-	465	185	650	-	14,314	14,964	-	185
Commercial non-residential	100	507	-	607	-	76,100	76,707	-	135
Construction and land	-	-	-	-	-	6,690	6,690	-	-
Commercial	-	-	-	-	-	6,438	6,438	-	-
Consumer	3	21	-	24	-	3,876	3,900	-	115
Total	$ 464	$ 2,114	$ 1,843	$ 4,421	$ 321	$ 512,724	$ 517,467	$ 90	$ 3,172

Aged Analysis of Past Due and Non-accrual Loans
As of June 30, 2019

(Dollar amounts in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Acquired Credit Impaired	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing	Recorded Investment Loans on Non-Accrual
Residential real estate:									
1-4 family	$ -	$ 807	$ 1,038	$ 1,845	$ -	$ 218,331	$ 220,176	$ 7	$ 1,270
Home equity and HELOCs	246	59	315	620	-	31,285	31,905	140	385
Construction - residential	-	-	-	-	-	9,739	9,739	-	-
Commercial real estate:									
Multi-family	-	394	189	583	-	10,445	11,028	-	189
Commercial non-residential	-	-	-	-	-	53,557	53,557	-	
Construction and land	-	-	-	-	-	4,438	4,438	-	-
Commercial	-	-	-	-	-	2,099	2,099	-	-
Consumer	-	-	-	-	-	741	741	-	-
Total	$ 246	$ 1,260	$ 1,542	$ 3,048	$ -	$ 330,635	$ 333,683	$ 147	$ 1,844

Interest income on non-accrual loans would have increased by approximately $91 thousand and $3 thousand during the years ended June 30, 2020 and 2019, respectively, if these loans had performed in accordance with their terms.

Impaired Loans

Management considers commercial loans and commercial real estate loans which are 90 days or more past due to be impaired. Larger commercial loans and commercial real estate loans which are 60 days or more past due are selected for impairment testing in accordance with GAAP. Factors considered by management in determining impairment include payment status and collateral value. The amount of impairment for these types of loans is determined by the difference between the present value of the expected cash flows related to the loan, using the original interest rate, and its recorded value, or as a practical expedient in the case of collateralized loans, the difference between the fair value of the collateral and the recorded amount of the loans. These loans are analyzed to determine if it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. If management determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized

premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance for loan losses.

The following tables include the recorded investment and unpaid principal balances for impaired loans with the associated allowance amount, if applicable.

June 30, 2020					
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
1-4 Family residential real Estate	$ 973	$ 973	$ -	$ 1,451	$ 45
Home equity and HELOCs	628	634	-	906	37
Construction Residential	-	-	-	-	-
Multi-family	185	185	-	139	-
Commercial non-residential	585	620	-	624	38
Construction and land	-	-	-	-	-
Commecial	-	-	-	-	-
Consumer	-	-	-	-	-
With an allowance recorded:					
1-4 Family	$ -	$ -	$ -	$ 67	$ 4
Home equity and HELOCs	-	-	-	-	-
Construction Residential	-	-	-	-	-
Multi-family	-	-	-	-	-
Commercial non-residential	-	-	-	-	-
Construction and land	-	-	-	-	-
Commecial	-	-	-	-	-
Consumer	-	-	-	-	-
Total:					
1-4 Family	$ 973	$ 973	$ -	$ 1,518	$ 49
Home equity and HELOCs	628	634	-	906	37
Construction Residential	-	-	-	-	-
Multi-family	185	185	-	139	-
Commercial non-residential	585	620	-	624	38
Construction and land	-	-	-	-	-
Commecial	-	-	-	-	-
Consumer	-	-	-	-	-

The impaired loans table above includes accruing TDRs in the amount of $1.4 million that are performing in accordance with their modified terms. The Company recognized $79 thousand of interest income on accruing TDRs during the year ended June 30, 2020. The table above does not include $321 thousand of loans acquired with deteriorated credit quality, which have been recorded at their fair value at acquisition.

June 30, 2019					
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
1-4 Family residential real Estate	$ 2,396	$ 2,396	$ -	$ 1,927	$ 73
Home equity and HELOCs	1,185	1,185	-	859	47
Construction Residential	-	-	-	-	-
Multi-family	-	-	-	-	-
Commercial non-residential	662	662	-	682	42
Construction and land	-	-	-	2,251	169
Commecial	-	-	-	-	-
Consumer	-	-	-	-	-
With an allowance recorded:					
1-4 Family	$ 161	$ 161	$ 58	$ 165	$ 11
Home equity and HELOCs	-	-	-	-	-
Construction Residential	-	-	-	-	-
Multi-family	-	-	-	-	-
Commercial non-residential	-	-	-	-	-
Construction and land	-	-	-	-	-
Commecial	-	-	-	-	-
Consumer	-	-	-	-	-
Total:					
1-4 Family	$ 2,557	$ 2,557	$ 58	$ 2,092	$ 84
Home equity and HELOCs	1,185	1,185	-	859	47
Construction Residential	-	-	-	-	-
Multi-family	-	-	-	-	-
Commercial non-residential	662	662	-	682	42
Construction and land	-	-	-	2,251	169
Commecial	-	-	-	-	-
Consumer	-	-	-	-	-

The impaired loans table above includes accruing TDRs in the amount of $2.4 million that are performing in accordance with their modified terms. The Company recognized $121 thousand of interest income on accruing TDRs during the year ended June 30, 2019.

Generally, the Company will charge-off the collateral or discounted cash flow deficiency on all impaired loans. Interest income that would have been recorded for the year ended June 30, 2020 and 2019, had impaired loans been current according to their original terms, amounted to $40 thousand and $32 thousand, respectively.

Troubled Debt Restructurings

The Bank determines whether a restructuring of debt constitutes a troubled debt restructuring ("TDR") in accordance with guidance under *FASB ASC Topic 310 Receivables*. The Bank considers a loan a TDR when the borrower is experiencing financial difficulty and the Bank grants a concession that they would not otherwise consider but for the borrower's financial difficulties. A TDR includes a modification of debt terms or assets received in satisfaction of the debt (including a foreclosure or a deed in lieu of foreclosure) or a combination of types. The Bank evaluates selective criteria to

determine if a borrower is experiencing financial difficulty, including the ability of the borrower to obtain funds from sources other than the Bank at market rates. The Bank considers all TDR loans as impaired loans and, generally, they are put on non-accrual status. The Bank will not consider the loan a TDR if the loan modification was made for customer retention purposes and the modification reflects prevailing market conditions. The Bank's policy for returning a loan to accruing status requires the preparation of a well-documented credit evaluation which includes the following:

- A review of the borrower's current financial condition in which the borrower must demonstrate sufficient cash flow to support the repayment of all principal and interest including any amounts previously charged-off;
- An updated appraisal or home valuation which must demonstrate sufficient collateral value to support the debt; and
- Sustained performance based on the restructured terms for at least six consecutive months.

During the quarter ended June 30, 2020, the Company began providing customer relief programs, such as payment deferrals or interest only payments on loans. The Company does not consider a modification to be a TDR if it occurred as a result of the loan forbearance program under the CARES Act. The CARES Act indicates that a loan term modification does not automatically result in TDR status if the modification is made on a good-faith basis in response to COVID-19 to borrowers who were classified as current and not more than 30 days past due as of December 31, 2019, and executed between March 1, 2020 and the earlier of (a) 60 days after the date of termination of the National Emergency, or (b) December 31, 2020. During the quarter ended June 30, 2020, the Company modified approximately $49.8 million of loans to provide its customers this monetary relief.

As of June 30, 2020, there were no loans modified that were identified as a troubled debt restructuring. The following table summarizes loans whose terms were modified in a manner that met the definition of a TDR as of and for the year ended June 30, 2019:

	For the year ended June 30, 2019		
(Dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial non-residential	2	$ 232	$ 232
Total	2	$ 232	$ 232

The Company did not experience any re-defaulted TDRs subsequent to the loan being modified during the years ended June 30, 2020 and 2019.

Note 9 – Accrued Interest Receivable

The following table provides information on accrued interest receivable at June 30, 2020 and 2019.

	June 30, 2020			June 30, 2019		
(Dollars in thousands)		Amount	% of Total		Amount	% of Total
Interest-bearing deposits	$	4	0.2%	$	20	1.5%
Investment securities		352	13.8%		101	7.8%
Loans		2,184	86.0%		1,181	90.7%
Total accrued interest receivable	$	2,540	100.0%	$	1,302	100.0%

Accrued interest receivable is included in accrued interest receivable and other assets on the Company's Consolidated Statements of Financial Condition.

Note 10 – Premises and Equipment

The components of premises and equipment are as follows as of June 30, 2020 and 2019:

	June 30,	
(Dollars in thousands)	**2020**	**2019**
Land	$ 4,144	$ 2,471
Office buildings and improvements	14,493	8,198
Furniture, fixtures and equipment	1,918	978
Automobiles	50	57
	20,605	11,704
Accumulated depreciation	(3,872)	(3,298)
	$ 16,733	$ 8,406

Depreciation expense amounted to $582 thousand and $408 thousand for the years ended June 30, 2020 and 2019, respectively.

Note 11 – Goodwill and Intangibles

The goodwill and intangible assets arising from acquisitions is accounted for in accordance with the accounting guidance in FASB *ASC Topic 350 for Intangibles — Goodwill and Other*. The Company recorded goodwill of $4.9 million and core deposit intangibles of $1.4 million in connection with the acquisition of Audubon Savings Bank. The Company also recorded core deposit intangibles totaling $65 thousand and $197 thousand in connection with the acquisitions of Fidelity and Washington, respectively. As of June 30, 2020, the other intangibles consisted of $1.2 million of core deposit intangibles, which are amortized over an estimated useful life of ten years.

The Company performs its annual impairment evaluation on June 30 or more frequently if events and circumstances indicate that the fair value of the banking unit is less than its carrying value. During the year ended June 30, 2020, management included considerations of the current economic environment caused by COVID-19 in its evaluation and determined based on the totality of its

qualitative assessment and a quantitative assessment performed by a third-party valuation specialist that it is not more likely than not that the carrying value of goodwill is impaired. No goodwill impairment exists at June 30, 2020.

Goodwill and other intangibles at June 30, 2020 and 2019 are summarized as follows:

(Dollars in thousands)	Goodwill	Core Deposit Intangibles
Balance, July 1, 2018	$ -	$ -
Adjustments:		
Additions	4,858	1,432
Amortization	-	(260)
Balance, June 30, 2019	$ 4,858	$ 1,172

(Dollars in thousands)	Goodwill	Core Deposit Intangibles
Balance, July 1, 2019	$ 4,858	$ 1,172
Adjustments:		
Additions	-	262
Amortization	-	(242)
Balance, June 30, 2020	$ 4,858	$ 1,192

The following tables summarize amortizing intangible assets at June 30, 2020 and 2019:

	June 30, 2020			June 30, 2019		
(Dollars in thousands)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Core deposit intangibles	$ 1,694	$ (502)	$ 1,192	$ 1,432	$ (260)	$ 1,172

Aggregate amortization expense was $242 thousand and $260 thousand for the years ended June 30, 2020 and 2019, respectively. Amortization expense for the next five years and thereafter is expected to be as follows:

(Dollars in thousands)

June 30 Fiscal Year End	Expense
2021	$ 255
2022	224
2023	194
2024	163
2025	132
2026 and thereafter	224
	$ 1,192

Note 12 – Deposits

Deposits and their respective weighted-average interest rates consist of the following major classifications as of June 30, 2020 and 2019:

	June 30, 2020		June 30, 2019	
(Dollars in thousands)	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Checking accounts	$ 142,223	0.13 %	$ 67,547	0.09 %
Money market accounts	129,048	0.94	67,648	1.68
Savings and club accounts	94,097	0.19	33,172	0.16
Certificates of deposit	194,480	1.86	112,839	1.90
	$ 559,848	0.93 %	$ 281,206	1.21 %

As of June 30, 2020 and 2019, the balance of checking accounts included $42.8 million and $13.1 million of non-interest bearing deposit accounts.

Time deposit accounts outstanding as of June 30, 2020 mature as follows:

(In thousands)	June 30, 2020
Fiscal year ending June 30:	
2021	$ 113,596
2022	37,073
2023	18,085
2024	13,426
2025	10,668
Thereafter	1,632
	$ 194,480

The aggregate amount of certificates of deposit accounts in denominations of $250 thousand or more totaled $22.7 million and $22.0 million at June 30, 2020 and 2019, respectively. The FDIC has permanently raised deposit insurance per account owner to $250 thousand for all types of accounts.

Note 13 – Advances from Federal Home Loan Bank

The Bank is a member of the FHLB system, which consists of 11 regional Federal Home Loan Banks. The FHLB provides a central credit facility primarily for member institutions. The Bank has a maximum borrowing capacity with the FHLB of Pittsburgh of approximately $223.0 million at June 30, 2020 of which $64.2 million, exclusive of purchase accounting fair value adjustments, was outstanding at June 30, 2020. FHLB advances are secured by qualifying assets of the Bank, which include Federal Home Loan Bank stock and loans. The Bank had $322.0 million of loans pledged as collateral as of June 30, 2020. The Bank, as a member of the FHLB of Pittsburgh, is required to acquire and hold shares of capital stock in that FHLB. The Bank was in compliance with the requirements for the FHLB of Pittsburgh with an investment of $3.9 million at June 30, 2020.

Advances from the FHLB of Pittsburgh consist of the following as of June 30, 2020 and 2019:

(Dollars in thousands)	June 30, 2020		June 30, 2019	
FHLB advances:				
Convertible	$	20,000	$	20,000
Fixed		21,767		11,000
Mid-term		23,125		19,000
Total FHLB advances	$	64,892	$	50,000

Regarding the convertible rate notes, the FHLB of Pittsburgh has the option to convert the notes at rates ranging from 0.01% to 0.23% above the three-month LIBOR on a quarterly basis upon the arrival of specified conversion dates or the occurrence of specific events. Accordingly, contractual maturities above may differ from expected maturities. In the event the FHLB of Pittsburgh converts these advances, the Bank has the option of accepting the variable rate or repaying the advances without penalty.

Contractual maturities and the associated weighted average interest rate of FHLB advances at June 30, 2020 and 2019 are as follows:

(Dollars in thousands)	June 30, 2020		
Fiscal year ending June 30:		Amount	Weighted Average Rate
2021	$	15,086	2.40%
2022		9,092	2.17%
2023		14,073	2.75%
2024		9,158	2.13%
2025		15,892	2.85%
Thereafter		1,591	2.83%
	$	64,892	2.53%

Note 14 – Income Taxes

The components of income tax expense are as follows:

	Year ended June 30,	
(Dollars in thousands)	2020	2019
Federal:		
Current	$ (448)	$ 1,594
Deferred	51	(544)
	(397)	1,050
State, current	10	10
	$ (387)	$ 1,060

A reconciliation of the statutory federal income tax at a rate of 21.0% in 2020 and 2019 to the income tax expense included in the consolidated statements of income is as follows:

	Year ended June 30,			
	2020		2019	
(Dollars in thousands)	Amount	% of Pretax Income	Amount	% of Pretax Income
Federal income tax at statutory rate	$ 198	21.0 %	$ 1,011	21.0 %
State tax, net of federal benefit	7	0.7	8	0.2
Bank owned-life insurance	(74)	(7.9)	(69)	(1.4)
Gain on bargain purchase	(157)	(16.7)	-	-
Non-deductible merger expenses	71	7.5	-	-
Impact of tax law change	(408)	(43.3)	-	-
Other	(24)	(2.4)	110	2.2
	$ (387)	(41.1) %	$ 1,060	22.0 %

Income tax expense for the year ended June 30, 2020 included a $408 thousand one-time income tax benefit related to a change in tax law associated with bank-owned life insurance policies acquired as part of an acquisition.

Items that gave rise to significant portions of deferred tax assets and liabilities are as follows:

	June 30,	
(Dollars in thousands)	2020	2019
Deferred tax assets:		
Loan origination fees	$ 100	$ 186
Allowance for loan losses	788	757
Deferred director's fees	289	303
Deferred compensation	525	475
Deferred pension	613	-
Purchase accounting adjustments	1,552	-
NOL carry forward	1,090	453
Other	-	60
Total Deferred Tax Assets	4,957	2,234
Deferred tax liabilities:		
Net unrealized gain on securities	(21)	(60)
Premises and equipment	(114)	(63)
Other	(5)	-
Total Deferred Tax Liabilities	(140)	(123)
Net Deferred Tax Asset	$ 4,817	$ 2,111

GAAP prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. Accounting literature also provides guidance on the accounting for and disclosure of unrecognized tax benefits, interest, and penalties. In accordance with GAAP, interest or penalties incurred for income taxes will be recorded as a component of other expenses. There are no material uncertain tax positions at June 30, 2020 or 2019. With few exceptions, the Company is no longer subject to U. S. Federal income tax examinations by taxing authorities for years before 2016.

Retained earnings included $2.8 million at June 30, 2020 and 2019, respectively, for which no provision for federal income tax has been made. These amounts represent deductions for bad debt reserves for tax purposes which were only allowed to savings institutions which met certain definitional tests prescribed by the Internal Revenue Code of 1986, as amended. The Small Business Job Protection Act of 1996 eliminated the special bad debt deduction granted solely to thrifts. Under the terms of the Act, there would be no recapture of the pre-1988 (base year) reserves. However, these pre-1988 reserves would be subject to recapture under the rules of the Internal Revenue Code if the Bank itself pays a cash dividend in excess of earnings and profits, or liquidates. The Act also provides for the recapture of deductions arising from “applicable excess reserve” defined as the total amount of reserve over the base year reserve. The Bank’s total reserve exceeds the base year reserve and deferred taxes have been provided for this excess.

Note 15 – Employee and Director Benefit Plans

401(k) Plan

The Bank has a savings plan qualified under Section 401(k) of the Internal Revenue Code which covers substantially all of its employees. Employees can contribute up to 50% of gross pay and the Bank matches 100% of such contributions up to 6%. The Company recorded $250 thousand and $237 thousand of expense associated with the 401(k) plan during the years ended June 30, 2020 and 2019, respectively.

Employee Stock Ownership Plan (“ESOP”)

The Company offers ESOP benefits to employees who met certain eligibility requirements. The ESOP is handled on a "pay as you go" basis, whereby the Bank contributes cash to the ESOP to purchase stock that will be allocated to participant accounts. Stock may be purchased by the ESOP in the open market, directly from retiring participants, or from participants electing to diversify their ESOP shares in accordance with the Plan document. During the fiscal years ended June 30, 2020 and 2019, the Bank recognized ESOP expense of $223 thousand and $224 thousand, respectively, under the "pay as you go" method.

Directors Retirement Plan

The Bank has a retirement plan for the directors of the Bank. Upon retirement, a director who agrees to serve as a consulting director to the Bank will receive a monthly benefit amount for a period of up to 120 months. The plan was amended in October 2017 to allow credit for service as a director while also serving as an employee. The Company recognized $128 thousand and $154 thousand, respectively, of expense for these benefits in its Consolidated Statements of Income for years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, approximately $1.6 million and $1.4 million, respectively, had been accrued under this plan.

Director Deferred Compensation Plan

The Bank has deferred compensation plans for certain directors of the Bank whereby they can elect to defer their directors' fees. Under the plans' provisions, benefits which accrue at the Bank's highest certificate of deposit rate will be payable upon retirement, death, or permanent disability. At June 30, 2020 and 2019, approximately $1.3 million and $1.3 million, respectively, had been accrued for this benefit plan. The Company recognized $61 thousand and $6 thousand, respectively, of interest expense for these benefits in its Consolidated Statements of Income for years ended June 30, 2020 and 2019, respectively.

Supplemental Executive Retirement Plan

In 2014, the Bank entered into supplemental executive retirement plan ("SERP") agreements with certain former executives of the Bank. The plan required the Bank to make annual contributions with amounts payable to participants upon retirement. The Company recorded an accumulated liability associated with this plan equal to $782 thousand and $583 thousand at June 30, 2020 and 2019, respectively. The Company recognized $20 thousand and $47 thousand of expense related to this benefit plan during the years ended June 30, 2020 and 2019, respectively.

Note 16 – Commitments and Contingencies

The Company leases several offices as part of its regular business operations. Please refer to Note 19 for further detail regarding the Company's operating lease commitments. In addition, the Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the Company's consolidated balance sheets.

A summary of the Company's loan commitments is as follows as of June 30, 2020 and 2019:

	June 30,	
(Dollars in thousands)	2020	2019
Commitments to extend credit	$ 18,602	$ 10,952
Unfunded commitments under lines of credit	52,432	27,981

Commitments to extend credit are agreements to lend to a customer if there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Commitments generally have 90-day fixed expiration dates or other termination

clauses and may require payment of a fee. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation. Collateral held varies, but primarily includes residential and commercial real estate.

Periodically, there have been other various claims and lawsuits against the Bank, such as claims to enforce liens, condemnation proceedings on properties in which it holds security interests, claims involving the making and servicing of real property loans and other issues incident to its business. The Bank is not a party to any pending legal proceedings that it believes would have a material adverse effect on its financial condition, results of operations or cash flows.

Note 17 - Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (described below) of tangible and core capital to total adjusted assets and of total capital to risk-weighted assets.

Management believes, as of June 30, 2020, that the Bank meets all capital adequacy requirements to which it is subject.

As of June 30, 2020, the most recent notification from the regulators categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum amounts and ratios of Tier I leverage capital to average assets and of common equity Tier I capital, Tier I capital, and total capital to risk-weighted assets, all as defined in the regulation.

In an effort to reduce regulatory burden, legislation enacted in May 2018 required the federal banking agencies to establish an optional "community bank leverage ratio" of between 8% to 10% tangible equity to average total consolidated assets for qualifying institutions with assets of less than $10 billion of assets. Institutions with capital meeting the specified requirement and electing to follow the alternative framework would be deemed to comply with the applicable regulatory capital requirements, including the risk-based requirements and would be considered well-capitalized under the prompt corrective action framework. The federal regulators issued a final rule, effective January 1, 2020, that set the elective community bank leverage ratio at 9% tier 1 capital to average total consolidated assets. The Bank has elected to adopt the optional community bank leverage ratio framework in the first quarter of 2020.

In April 2020, the Federal banking regulatory agencies modified the original Community Bank Leverage Ratio (CBLR) framework and provided that, as of the second quarter 2020, a banking organization with a leverage ratio of 8 percent or greater and that meets the other existing qualifying criteria may elect to use the community bank leverage ratio framework. The modified rule also states that the community bank leverage ratio requirement will be greater than 8 percent for the second

through fourth quarters of calendar year 2020, greater than 8.5 percent for calendar year 2021, and greater than 9 percent thereafter. The transition rule also maintains a two-quarter grace period for a qualifying community banking organization whose leverage ratio falls no more than 100 basis points below the applicable community bank leverage ratio requirement.

A "small holding company," as defined under Federal Reserve Board regulations as a holding company less than $3 billion of consolidated assets, such as the Company, is generally not subject to the regulatory capital requirements applicable to the Bank and outlined above, unless otherwise directed by the Federal Reserve Board.

The leverage ratios of the Bank at June 30, 2020 are as follows:

As of June 30, 2020	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in thousands except for ratios)	Amount	Ratio	Amount	Ratio	Amount	Ratio
William Penn Bank:						
Tier 1 leverage	$ 86,822	13.67%	> $ 25,397	> 4.00%	> $ 31,746	> 5.00%

The Bank's actual capital amounts and ratios as of June 30, 2019 are presented below:

	Actual		**For Capital Adequacy Purposes**		**To be Well Capitalized under Prompt Corrective Action Provisions**	
(Dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of June 30, 2019:						
Total risk-based capital	$ 71,558	25.8 %	$ ≥22,172	≥8.0 %	$ ≥27,715	≥10.0 %
Common Equity Tier 1 Capital	68,437	24.7	≥12,477	≥4.5	≥18,022	≥6.5
Core capital (to risk-weighted assets)	68,437	24.7	≥16,636	≥6.0	≥22,181	≥8.0
Core capital (to adjusted total assets)	68,437	16.9	≥16,162	≥4.0	≥20,203	≥5.0

Note 18 – Fair Value of Financial Instruments

The Company follows authoritative guidance under FASB ASC Topic 820 for Fair Value Measurements and Disclosures which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The definition of fair value under ASC 820 is the exchange price. The guidance clarifies that the exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability in the market in which the reporting entity would transact for the asset or liability. The definition focuses on the price that would be received to sell the asset or paid to transfer the liability (an exit price), not the price that would be paid to acquire the asset or received to assume the liability (an entry price). The guidance emphasizes that fair value is a market-based measurement, not an entity-specific measurement.

Fair value is based on quoted market prices, when available. If listed prices or quotes are not available, fair value is based on fair value models that use market participant or independently sourced market data which include: discount rate, interest rate yield curves, credit risk, default rates and expected cash flow assumptions. In addition, valuation adjustments may be made in the determination of fair value. These fair value adjustments may include amounts to reflect counter party credit quality, creditworthiness, liquidity, and other unobservable inputs that are applied consistently over time. These adjustments are estimated and, therefore, subject to significant management judgment, and at times, may be necessary to mitigate the possibility of error or revision in the model-

based estimate of the fair value provided by the model. The methods described above may produce fair value calculations that may not be indicative of the net realizable value. While the Company believes its valuation methods are consistent with other financial institutions, the use of different methods or assumptions to determine fair values could result in different estimates of fair value. FASB ASC Topic 820 for Fair Value Measurements and Disclosures describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3: Assets and liabilities that have little to no pricing observability as of the reported date. These items do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The following table presents the assets required to be measured and reported on a recurring basis on the Company's Consolidated Statements of Financial Condition at their fair value as of June 30, 2020 and 2019, by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	June 30, 2020			
(Dollars in thousands)	Level I	Level II	Level III	Total
Assets:				
Investments available-for-sale:				
Mortgage-backed securities	$ -	$ 51,738	$ -	$ 51,738
U.S. agency collateralized mortgage obligations	-	3,215	-	3,215
U.S. government agency securities	-	6,155	-	6,155
U.S. treasury securities	-	1,000	-	1,000
Municipal bonds	-	10,508	-	10,508
Corporate bonds	-	17,382	-	17,382
Total Assets	$ -	$ 89,998	$ -	$ 89,998

(Dollars in thousands)	June 30, 2019 Level I	Level II	Level III	Total
Assets:				
Investments available-for-sale:				
Mortgage-backed securities	$ -	$ 3,678	$ -	$ 3,678
U.S. agency collateralized mortgage obligations	-	5,767	-	5,767
U.S. government agency securities	-	10,912	-	10,912
Private label collateralized mortgage obligations	-	303	-	303
Total Assets	$ -	$ 20,660	$ -	$ 20,660

Assets and Liabilities Measured on a Non-Recurring Basis

Certain assets and liabilities may be required to be measured at fair value on a nonrecurring basis in periods subsequent to their initial recognition. Generally, nonrecurring valuation is the result of the application of other accounting pronouncements which require assets and liabilities to be assessed for impairment or recorded at the lower of cost or fair value.

Impaired loans are generally measured for impairment using the fair value of the collateral supporting the loan. Evaluating impaired loan collateral is based on Level 3 inputs utilizing outside appraisals adjusted by management for sales costs and other assumptions regarding market conditions to arrive at fair value. As of June 30, 2020, the Company charged-off the collateral deficiency on impaired loans. As a result, there were no specific reserves on impaired loans as of June 30, 2020. As of June 30, 2019, impaired loans with a carrying value of $4.4 million were reduced by specific valuation allowance totaling $58 thousand resulting in a net fair value of $4.3 million based on Level 3 inputs.

Other real estate owned (OREO) is measured at fair value, based on appraisals less cost to sell at the date of foreclosure. Valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value, less cost to sell. Income and expenses from operations and changes in valuation allowance are included in the net expenses from OREO.

Assets required to be measured and reported at fair value on a non-recurring basis are summarized as follows:

(Dollars in thousands)	June 30, 2020 Level I	Level II	Level III	Total
Assets:				
Impaired loans	$ -	$ -	$ 190	$ 190
Other real estate owned	-	-	100	100
	$ -	$ -	$ 290	$ 290

(Dollars in thousands)	June 30, 2019 Level I	Level II	Level III	Total
Assets:				
Impaired loans	$ -	$ -	$ 4,346	$ 4,346
Other real estate owned	-	-	-	-
	$ -	$ -	$ 4,346	$ 4,346

Quantitative information regarding assets measured at fair value on a non-recurring basis is as follows:

(Dollars in thousands)	Quantative Information about Level 3 Fair Value Measurements Fair Value Estimate	Valuation Techniques	Unobservable Input	Range
June 30, 2020				
Impaired loans	$ 190	Appraisal of collateral (1)	Appraisal adjustments (2)	0-28%
Foreclosed real estate owned	$ 100	Appraisal of collateral (1)(3)	Liquidation expenses (2)	0%

(Dollars in thousands)	Quantative Information about Level 3 Fair Value Measurements Fair Value Estimate	Valuation Techniques	Unobservable Input	Range
June 30, 2019				
Impaired loans	$ 4,346	Appraisal of collateral(1)	Appraisal adjustments (2)	0-25%
Foreclosed real estate owned	$ -	Appraisal of collateral (1)(3)	Liquidation expenses (2)	0%

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various Level 3 inputs which are not identifiable, less any associated allowance.
(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range and weighted average of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal.
(3) Includes qualitative adjustments by management and estimated liquidation expenses.

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year-ends and have not been reevaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

The following information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair values of the Company's financial instruments.

Cash and Due from Banks and Interest-Bearing Time Deposits

The carrying amounts of cash and amounts due from banks and interest-bearing time deposits approximate their fair value.

Securities Available for Sale and Held to Maturity

The fair value of investment and mortgage-backed securities is equal to the available quoted market price. If no quoted market price is available, fair value is estimated using the quoted market price for similar securities.

Loans Receivable

The fair value is estimated by discounting future cash flows using current market inputs at which loans with similar terms are adjusted for liquidity and credit risk.

Regulatory Stock

The carrying amount of Federal Home Loan Bank stock approximates fair value.

Bank-Owned Life Insurance

The fair value is equal to the cash surrender value of the life insurance policies.

Accrued Interest Receivable and Payable

The carrying amount of accrued interest receivable and payable approximates fair value.

Deposits

Fair values for demand deposits, NOW accounts, savings and club accounts, and certain money market deposits are, by definition, equal to the amount payable on demand at the reporting date. Fair values of fixed-maturity certificates of deposit are estimated using a discounted cash flow calculation that applies market interest rates currently being offered on similar instruments with similar maturities.

Advances from Federal Home Loan Bank

Fair value of advances from Federal Home Loan Bank is estimated using discounted cash flow analyses, based on rates currently available to the Company for advances from Federal Home Loan Bank with similar terms and remaining maturities.

Off-Balance Sheet Financial Instruments

Fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, considering market interest rates, the remaining terms and present credit worthiness of the counterparties.

In accordance with *FASB ASC Topic 825 for Financial Instruments, Disclosures about Fair Value of Financial Instruments*, the Company is required to disclose the fair value of financial instruments. The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a distressed sale. Fair value is best determined using observable market prices; however, for many of the Company's financial instruments no quoted market prices are readily available. In instances where quoted market prices are not readily available, fair value is determined using present value or other techniques appropriate for the particular instrument. These techniques involve some degree of judgment, and as a result, are not necessarily indicative of the amounts the Company would realize in a current market exchange. Different assumptions or estimation techniques may have a material effect on the estimated fair value.

The following tables set forth the carrying value of financial assets and liabilities and the fair value for certain financial instruments that are not required to be measured or reported at fair value on the Consolidated Statements of Financial Condition for the periods indicated.

	Fair Value Measurements at June 30, 2020				
(Dollars in thousands)	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and due from banks	$ 82,915	$ 82,915	$ 82,915	$ -	$ -
Interest bearing time deposits	2,300	2,300	2,300	-	-
Loans receivable, net	508,605	541,779	-	-	541,779
Regulatory stock	4,200	4,200	4,200	-	-
Bank-owned life insurance	14,758	14,758	14,758	-	-
Accrued interest receivable	2,540	2,540	2,540	-	-
Financial liabilities:					
Checking accounts	142,223	142,223	142,223	-	-
Money market accounts	129,048	129,048	129,048	-	-
Savings and club accounts	94,097	94,097	94,097	-	-
Certificates of deposit	194,480	198,268	-	-	198,268
Advances from Federal Home Loan Bank	64,892	67,520	-	-	67,520
Advances from borrowers for taxes and insurance	4,536	4,536	4,536	-	-
Accrued interest payable	246	246	246	-	-
Off-balance sheet financial instruments	-	-	-	-	-

	Fair Value Measurements at June 30, 2019				
(Dollars in thousands)	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and due from banks	$ 26,168	$ 26,168	$ 26,168	$ -	$ -
Interest bearing time deposits	8,486	8,486	8,486	-	-
Securities held to maturity	1,906	1,937	-	1,937	-
Loans receivable, net	326,017	330,060	-	-	330,060
Regulatory stock	2,785	2,785	2,785	-	-
Bank-owned life insurance	11,203	11,203	11,203	-	-
Accrued interest receivable	1,340	1,340	1,340	-	-
Financial liabilities:					
Checking accounts	67,547	67,547	67,547	-	-
Money market accounts	67,648	67,648	67,648	-	-
Savings and club accounts	33,172	33,172	33,172	-	-
Certificates of deposit	112,839	112,245	-	-	112,245
Advances from Federal Home Loan Bank	50,000	50,651	-	-	50,651
Advances from borrowers for taxes and insurance	3,814	3,814	3,814	-	-
Accrued interest payable	171	171	171	-	-
Off-balance sheet financial instruments	-	-	-	-	-

Note 19 – Leases

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. On July 1, 2019, the Company adopted ASU No 2016-02 *"Leases" (Topic 842)* and all subsequent ASUs that modified Topic 842. The adoption of Topic 842 primarily affected the Company's accounting treatment for operating lease agreements in which the Company is the lessee.

Substantially all of the leases in which the Company is the lessee include real estate property for branches and office space with terms extending through 2042. All of the Company's leases are classified as operating leases, and therefore, were previously not recognized on the Company's Consolidated Statements of Financial Condition. Topic 842 requires the Company to recognize a right-of-use ("ROU") asset and corresponding lease liability included in accrued interest receivable and other assets and accrued interest payable and other liabilities, respectively, on the Company's Consolidated Statements of Financial Condition.

The following table presents the Consolidated Statements of Financial Condition classification of the Company's ROU assets and lease liabilities. The Company elected not to include short-term leases (i.e., leases with initial terms of twelve months of less), or equipment leases (deemed immaterial) on the Consolidated Statements of Financial Condition.

(in thousands)		June 30, 2020	
Lease Right-of-Use Assets	**Classification**		
Operating lease right-of-use assets	Other assets	$	1,663
Total Right-of-Use Assets		**$**	**1,663**

(in thousands)		June 30, 2020	
Lease Liabilities	**Classification**		
Operating lease liabilities	Other liabilities	$	1,638
Total Lease Liabilities		**$**	**1,638**

The calculated amount of the ROU assets and lease liabilities in the table above are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Company's lease agreements often include one or more options to renew at the Company's discretion. If at lease inception, the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the ROU asset and lease liability. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception, on a collateralized basis, over a similar term.

	June 30, 2020
Weighted average remaining lease term	
Operating leases	11.9 years
Weighted average discount rate	
Operating leases	2.19%

The Company recorded $142 thousand of net lease costs during the year ended June 30, 2020. Future minimum payments for operating leases with initial or remaining terms of one year or more as of June 30, 2020 were as follows:

(in thousands)		Operating Leases
Twelve months ended:		
June 30, 2021	$	247
June 30, 2022		252
June 30, 2023		258
June 30, 2024		265
June 30, 2025		246
Thereafter		613
Total future minimum lease payments	$	1,881
Amounts representing interest		(243)
Present value of net future minimum lease payments	$	1,638

Note 20 – Related Party Transactions

At June 30, 2020 and 2019, certain directors, executive officers, principal holders of the Company's common stock, associates of such persons, and affiliated companies of such persons were indebted, including undrawn commitments to lend, to the Bank in the aggregate amount of $1.8 million and $1.1 million, respectively. These total commitments to lend include $1.2 million and $995 thousand of undrawn commitments at June 30, 2020 and 2019, respectively. The commitments are in the form of loans and guarantees for various business and personal interests. This indebtedness was incurred in the ordinary course of business on substantially the same terms, including interest rate and collateral, as those prevailing at the time of comparable transactions with unrelated parties. This indebtedness does not involve more than the normal risk of repayment or present other unfavorable features.

The following table shows the loan activity for related parties for the years ended June 30, 2020 and 2019:

	June 30,			
(Dollars in thousands)	2020		2019	
Beginning Balance	$	147	$	117
New loans		505		-
Loans to newly appointed directors		103		104
Repayments		(168)		(74)
Ending balance	$	587	$	147

None of the Company's affiliates, officers, directors, or employees have an interest in or receive remuneration from any special purpose entities or qualified special purpose entities which the Company transacts business.

At June 30, 2020, certain directors, executive officers, principal holders of the Company's common stock, associates of such persons, and affiliated companies of such persons had deposits with the Bank in the aggregate amount of $2.6 million.

Note 21 – Parent Company Financial Information

WILLIAM PENN BANCORP, INC.
CONDENSED STATEMENTS OF FINANCIAL CONDITION - PARENT COMPANY ONLY
(Dollars in thousands)
As of June 30, 2020 and 2019

	June 30, 2020	June 30, 2019
ASSETS		
Cash on deposit at the Bank	$ 2,861	$ 1,440
Investment in the Bank	93,401	75,142
Other assets	103	48
TOTAL ASSETS	$ 96,365	$ 76,630
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accrued and other liabilities	$ -	$ -
TOTAL LIABILITIES	-	-
Commitments and contingencies	-	-
STOCKHOLDERS' EQUITY		
Preferred stock, no par value, 1,000,000 shares authorized; no shares issued	-	-
Common Stock, $.10 par value, 49,000,000 shares authorized; 4,667,304 and 4,158,113 shares issued and 4,489,345 and 3,980,154 shares outstanding at June 30, 2020 and 2019, respectively.	467	416
Additional paid-in capital	42,932	22,441
Treasury Stock, 177,959 shares at cost at June 30, 2020 and 2019	(3,710)	(3,710)
Retained earnings	56,600	57,255
Accumulated other comprehensive income	76	228
TOTAL STOCKHOLDERS' EQUITY	96,365	76,630
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 96,365	$ 76,630

WILLIAM PENN BANCORP, INC.
CONDENSED STATEMENTS OF OPERATIONS - PARENT COMPANY ONLY
(Dollars in thousands)
For the Years Ended June 30, 2020 and 2019

	Year ended June 30, 2020	2019
INCOME		
Interest on interest-bearing deposits with the Bank	$ 8	$ 14
Total Income	8	14
EXPENSES		
Professional fees	50	-
Merger relates expenses	532	-
Other expenses	12	82
Total Expenses	594	82
Income before income tax benefit and equity in undistributed net income of affiliates	(586)	(68)
Income Tax Benefit	(51)	(14)
Equity in undistributed net income of the Bank	1,863	3,810
NET INCOME	$ 1,328	$ 3,756
Comprehensive income	$ 1,176	$ 3,765

WILLIAM PENN BANCORP, INC.
CONDENSED STATEMENTS OF CASH FLOW - PARENT COMPANY ONLY
(Dollars in thousands)
For the Years Ended June 30, 2020 2019

	Year ended June 30, 2020	**2019**
Cash Flows from Operating Activities		
Net income	$ 1,328	$ 3,756
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed net earnings of subsidiaries	(1,863)	(3,810)
Dividend from the Bank	4,000	2,000
Change in other assets	(61)	(8)
Net Cash Provided by (Used for) Operating Activities	3,404	1,938
Cash Flows from Financing Activities		
Cash dividends	(1,983)	(1,280)
Net Cash (Used) for Financing Activities	(1,983)	(1,280)
Net Increase in Cash and Cash Equivalents	1,421	658
Cash and Cash Equivalents-Beginning	1,440	782
Cash and Cash Equivalents-Ending	$ 2,861	$ 1,440
Supplementary Cash Flows Information		
Income taxes paid	$ -	$ -

Note 22 – Subsequent Events

On August 24, 2020, the Company paid off $23.2 million of advances from the FHLB of Pittsburgh due to the current low interest rate environment and excess cash held on the Company's Statement of Financial Condition. On September 16, 2020, the Board of Directors of William Penn Bancorp, the parent company for William Penn Bank (the "Bank"), together with the Board of Directors of William Penn, MHC (the "MHC") and the Bank, unanimously adopted a Plan of Conversion and Reorganization (the "Plan of Conversion"). Pursuant to the Plan of Conversion, the MHC will sell its majority ownership in the Company to the public and the Company, which is currently in the mutual holding company structure, will reorganize to a fully public stock holding company in a transaction commonly referred to as a "second step" conversion. Management has reviewed events occurring through October 6, 2020, the date the financial statements were issued, and no additional subsequent events occurred requiring accrual or disclosure.

WILLIAM PENN

BANCORP, INC.