

WILLIAM PENN BANCORP, INC. ANNOUNCES SECOND QUARTER EARNINGS

January 30, 2020

FOR IMMEDIATE RELEASE

Bristol, Pennsylvania

FOR FURTHER INFORMATION

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William Penn Bancorp, Inc. (the "Company") (OTC Pink: WMPN), the holding company for William Penn Bank (the "Bank"), announced quarterly net income of \$929 thousand (\$0.23 per basic and diluted share) for the three months ended December 31, 2019 as compared to \$854 thousand, or \$0.21 per share, for the three months ended September 30, 2019. The Company earned \$518 thousand (\$0.13 per share) for the same time period last year.

The increase in quarterly earnings was primarily attributable to a reversal in tax expense associated with a change in tax code as part of the Tax Cuts and Jobs Act of 2017 (see more detail below). Quarterly net income before taxes was \$591 thousand, a \$483 thousand decline from the September 30, 2019 quarter due primarily to an increase in noninterest expense related to the pending mergers of Washington Savings Bank and Fidelity Savings and Loan Association of Bucks County that were announced in December 2019 as well as non-recurring expenses associated with the moving of its operating headquarters from Levittown, PA to Bristol, PA. However, compared to the same time period one-year prior, noninterest expense s declined \$182 thousand. As a result, noninterest expenses as a percentage of average assets declined from 3.18% for the three months ended December 31, 2018 to 2.82% for the three months ended December 31, 2019.

Net interest income declined \$32 thousand compared to the quarter ended September 30, 2019 as interest expense increased at a faster rate than interest income due to an increase in interest bearing deposits and rising cost of deposits. Due to rising interest expense costs and flattening of the yield curve over the past 12 months, the Company's net interest margin has declined from 3.92% to 3.48%.

The Bank did not post any provision for loan and lease losses in the quarter as asset quality remained strong and the balance of the loan portfolio declined from the September 30, 2019 quarter, resulting in an ALLL/loan ratio of 0.92%.

Non-interest income decreased \$77 thousand to \$287 thousand for the three months ended December 31, 2019 compared to \$364 thousand for the quarter ended September 30, 2019. The decline was primarily due to the removal of one-time gains on sale of investments that had been previously captured in the September 30, 2019 quarter. Non-interest income as a percentage of average assets was 0.26% for the three months ended December 31, 2019, in line with the previous quarter when excluding the \$93 thousand gain on investments.

As referenced above, a provision in the Tax Cuts and Jobs Act of 2017 had an unintended consequence affecting the tax treatment of acquired Bank Owned Life Insurance ("BOLI") policies. As a result, the Bank had previously booked a \$408 thousand tax expense in connection with its merger with Audubon Savings Bank in 2018 to account for the potential tax liability. However, a new regulation was issued and finalized in the 4th quarter of 2019 that removed the unintended consequence and its associated tax impact, resulting in the tax expense reversal in the quarter ended December 31, 2019.

Total assets increased \$26.8 million quarter over quarter to end December 2019 at \$444.9 million. Total assets increased \$41.7 million, or 10.35%, year over year. Total net loans decreased quarter over quarter

and year over year to settle at \$321.9 million as of December 31, 2019. Net loans as a percentage of assets declined from 83.3% to 73.2% year over year.

Total deposits increased \$18.1 million quarter over quarter to settle at \$303.7 million and increased \$27.5 million, or 9.97%, year over year. The Company's borrowings level increased \$6 million quarter over quarter and increased \$11 million year over year. The Company has a modest level of borrowings to assets at 12.59%.

Total shareholders' equity increased \$694 thousand quarter over quarter due to an increase in retained earnings, partially offset by an increase in the unrealized loss on bank held securities. Year over year, shareholders' equity increased \$1.8 million to \$76.0 million at December 31, 2019 due to an increase in retained earnings.

As of December 31, 2019, the Company had 4,158,113 shares of common stock issued and 3,980,154 shares outstanding, of which 3,201,923 shares were held by William Penn, MHC, the Company's mutual holding company parent.

William Penn Bancorp, Inc., headquartered in Bristol, Pennsylvania, is the holding company for William Penn Bank, which serves Bucks County, Pennsylvania through full-service branch offices in Levittown, Morrisville, and Richboro, Pennsylvania and serves Burlington and Camden Counties in New Jersey through full-service branch offices located in Audubon, Mount Laurel, and Pine Hill, New Jersey. The Company's executive offices are located at 10 Canal Street, Bristol, Pennsylvania 19007. William Penn Bank's deposits are insured up to the legal maximum (generally \$250,000 per depositor) by the Federal Deposit Insurance Corporation (FDIC). The primary federal regulator for William Penn Bank is the FDIC.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, expectations or predictions of future financial or business performance, or other conditions relating to the Company. These forward-looking statements include statements with respect to the Company's beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions, that are subject to significant risks and uncertainties, and are subject to change based on various factors (some of which are beyond the Company's control). The words "may," "could," "should," "would," "will," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify forward-looking statements.

In addition, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: the strength of the United States economy in general and the strength of the local economies in which the Company conduct its operations; general economic conditions, legislative and regulatory changes, monetary and fiscal policies of the federal government, changes in tax policies, rates and regulations of federal, state and local tax authorities, changes in interest rates, deposit flows, the cost of funds, demand for loan products, demand for financial services, competition, changes in the quality or composition of the Company's loan, investment and mortgage-backed securities portfolios, changes in accounting principles, policies or guidelines and other economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and fees; and the success of the Company at managing the risks involved in the foregoing.

The Company does not undertake, and specifically disclaims, any obligation to publicly release the results of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances arising after the date hereof.

WILLIAM PENN BANCORP, INC
CONSOLIDATED FINANCIAL HIGHLIGHTS
(Unaudited)
(Dollars in thousands, except per share data)

Selected Financial Data:

	At	At
	December 31, 2019	September 30, 2019
Assets	\$ 444,880	\$ 418,106
Cash and cash equivalents	36,105	15,002
Interest-bearing time deposits	4,998	6,487
Other Investments	46,366	36,739
Loans receivable, net	321,916	326,755
Deposits	303,676	285,610
Advances from Federal Home Loan Bank	56,000	50,000
Stockholders' equity	76,005	75,311
Nonaccrual loans	2,071	1,917
Nonaccrual loans and REO	2,071	1,917

Selected Operations Data:

	Three months ended	
	December 31, 2019	September 30, 2019
Interest income	4,606	4,576
Interest expense	1,265	1,202
Net interest income	3,341	3,373
Provision (recovery) for loan losses	-	-
Net interest income after provision for loan losses	3,341	3,373
Noninterest income	287	364
Noninterest expense	3,037	2,662
Income before income taxes	591	1,074
Provision for income taxes	(338)	221
Net income	<u>929</u>	<u>854</u>
Basic and diluted earnings per share	<u>0.23</u>	<u>0.21</u>