

FOR IMMEDIATE RELEASE

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WILLIAM PENN BANCORP, INC. ANNOUNCES FIRST QUARTER RESULTS

BRISTOL, PENNSYLVANIA, November 6, 2020 — William Penn Bancorp, Inc. (“William Penn” or the “Company”) (OTC Pink: WMPN), the parent company of William Penn Bank (the “Bank”), today announced its financial results for the quarter ended September 30, 2020. William Penn recorded net income of \$670 thousand, or \$0.15 per diluted share, for the quarter ended September 30, 2020, compared to net income of \$854 thousand, or \$0.21 per diluted share, for the quarter ended September 30, 2019. Net income for the quarter ended September 30, 2020 included \$161 thousand, or \$0.04 per diluted share, of prepayment penalties associated with the prepayment of \$23.2 million of higher-cost advances from the Federal Home Loan Bank of Pittsburgh (“FHLB”).

Kenneth J. Stephon, William Penn’s President and CEO, stated “We continue to experience a difficult operating environment related to the COVID-19 pandemic. The low interest rate environment has made it challenging to effectively deploy the excess cash we hold on our balance sheet from two recent acquisitions. During the quarter, we made a strategic decision to use \$23.2 million of cash to prepay higher-cost advances from the FHLB that will effectively lower our future borrowing costs and become accretive to our overall earnings following the quarter ended December 31, 2020. We continue to experience strong growth in deposits, which increased at an annualized rate of 15.5% during the first quarter. We remain focused on maintaining a high-quality investment portfolio that provides a steady stream of cash flows both in the current and in rising interest rate environments. In addition, we have maintained consistent and conservative lending practices in our market footprint.”

Highlights for the quarter ended September 30, 2020 are as follows:

- William Penn prepaid \$23.2 million of higher-cost advances from the FHLB and incurred \$161 thousand of prepayment penalties.
- William Penn maintained strong credit reserves amidst the uncertain economic environment and recorded a \$66 thousand provision for credit losses during the quarter ended September 30, 2020.
- During the quarter ended September 30, 2020, William Penn recorded net income of \$670 thousand, or \$0.15 per diluted share.
- Tangible book value per share measured \$19.94 as of September 30, 2020, compared to \$17.42 as of September 30, 2019, an increase of \$2.52, or 14.5%.
- Net interest income increased \$1.8 million, or 54.7%, for the quarter ended September 30, 2020 compared to the same period in the prior year.
- Non-interest income increased \$53 thousand, or 15.3%, for the quarter ended September 30, 2020 compared to the same period in the prior year.
- Asset quality metrics continued to remain strong with non-performing assets to total assets of 0.67% as of September 30, 2020. Our allowance for loan losses totaled \$3.6 million, or 1.27% of total loans, excluding acquired loans, as of September 30, 2020, compared to \$3.5 million, or 1.26% of total loans, excluding acquired loans, as of June 30, 2020.
- The balance of loans on deferral in accordance with the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) decreased to \$6.1 million as of September 30, 2020, compared to \$49.8 million at June 30, 2020.

Balance Sheet

Total assets decreased \$4.9 million, or 0.7%, to \$731.6 million at September 30, 2020, from \$736.5 million of total assets at June 30, 2020. The decrease in total assets can primarily be attributed to a \$26.8 million decrease in total cash and cash equivalents and a \$10.9 million decrease in gross loans, partially offset by a \$33.6 million increase in investment securities.

Cash and cash equivalents decreased \$26.8 million, or 32.4%, to \$56.1 million at September 30, 2020, from \$82.9 million at June 30, 2020. The decrease in cash and cash equivalents was primarily driven by a \$33.6 million increase in investment securities as we continue to deploy our excess cash through the purchase of high-quality investment securities and a \$23.9 million decrease in advances from the FHLB due to the previously discussed prepayment of \$23.2 million of higher-cost advances from the FHLB. These decreases to cash and cash equivalents were partially offset by a \$10.9 million decrease in gross loans and a \$21.6 million increase in deposits.

Investments increased \$33.6 million, or 37.3%, to \$123.6 million at September 30, 2020, from \$90.0 million at June 30, 2020. We focus on maintaining a high-quality investment portfolio that provides a steady stream of cash flows both in the current and in rising interest rate environments.

Gross loans decreased \$10.9 million, or 2.1%, to \$501.2 million at September 30, 2020, from \$512.1 million at June 30, 2020. The COVID-19 pandemic and low interest rate environment have created a highly competitive market for residential lending. The Company maintains conservative lending practices and is focused on lending to borrowers with high credit quality within its market footprint.

Deposits increased \$21.6 million, or 3.9%, to \$581.5 million at September 30, 2020, from \$559.9 million at June 30, 2020. Deposit growth was achieved through strong organic growth and the successful opening of a new branch location located in Collingswood, New Jersey during the quarter ended June 30, 2020.

Borrowings decreased \$23.9 million, or 36.8%, to \$41.0 million at September 30, 2020, from \$64.9 million at June 30, 2020. The decrease in borrowings was primarily due to the previously discussed prepayment of \$23.2 million of higher-cost advances from the FHLB.

Stockholders' equity decreased \$859 thousand, or 0.9%, to \$95.5 million at September 30, 2020, from \$96.4 million at June 30, 2020. The decrease in stockholders' equity was due to \$1.9 million of dividends paid to common shareholders in August 2020, partially offset by \$670 thousand of net income and a \$357 thousand increase in the accumulated other comprehensive income component of the unrealized gain on available-for-sale investment securities during the quarter ended September 30, 2020. Tangible book value per share totaled \$19.94 as of September 30, 2020, compared to \$17.42 as of September 30, 2019.

Net Interest Income

For the quarter ended September 30, 2020, net interest income was \$5.2 million, an increase of \$1.8 million, or 54.7%, from the quarter ended September 30, 2019. The increase in net interest income was primarily due to an increase in interest-earning assets as a result of the acquisitions of Washington Savings Bank ("Washington") and Fidelity Savings and Loan Association of Bucks County ("Fidelity") effective May 1, 2020. The net interest margin totaled 3.11% for the quarter ended September 30, 2020 compared to 3.52% for the same period in 2019. The decrease in the net interest margin is consistent with the recent decrease in interest rates and current margin compression primarily due to the COVID-19 pandemic and its impact on the economy and interest rate environment.

Non-interest Income

For the quarter ended September 30, 2020, non-interest income totaled \$400 thousand, an increase of \$53 thousand, or 15.3%, from the quarter ended September 30, 2019. The increase was primarily due to an increase in service fees as a result of higher deposit transaction volume due primarily to the acquisitions of Washington and Fidelity effective May 1, 2020, as well as an increase in rental income, partially offset by a decrease in the gain on sale of investment securities.

Non-interest Expense

For the quarter ended September 30, 2020, non-interest expense totaled \$4.7 million, an increase of \$2.1 million, or 78.9%, from the quarter ended September 30, 2019. The increase in non-interest expense was primarily due to a \$983 thousand increase in salaries and employee benefits due to the addition of new employees from the acquisitions of Washington and Fidelity and

a \$464 thousand increase in occupancy and equipment expense due to additional operating costs from new branch offices and increased depreciation expense associated with premises and equipment from the acquisitions of Washington and Fidelity. In addition, the quarter ended September 30, 2020 included \$161 thousand of prepayment penalties associated with the prepayment of \$23.2 million of higher-cost advances from the FHLB. The increase in other non-interest expense can be attributed to operating a larger organization that has resulted from the two acquisitions by William Penn Bank completed on May 1, 2020.

Income Taxes

For the quarter ended September 30, 2020, we recorded a provision for income taxes of \$146 thousand, reflecting an effective tax rate of 17.9%, compared to a provision for income taxes of \$220 thousand, reflecting an effective tax rate of 20.5%, for the same period in 2019. The decrease in the provision for income taxes for the quarter ended September 30, 2020 compared to the same period a year ago is primarily due to lower income before income taxes. The decrease in the effective tax rate for the quarter ended September 30, 2020 compared to the same period a year ago is primarily due to a higher ratio of tax-exempt income on the Company's investment in bank-owned life insurance and municipal securities relative to income before income taxes.

Asset Quality

Our ratio of non-performing assets to total assets remained low at 0.67% as of September 30, 2020. In addition, we did not record any charge-offs during the quarter ended September 30, 2020. As a result of the continued economic uncertainty due to the COVID-19 pandemic, we recorded a \$66 thousand provision for loan losses during the quarter ended September 30, 2020 compared to no provision for loan losses during the same period in 2019. Our allowance for loan losses totaled \$3.6 million, or 1.27% of total loans, excluding acquired loans, as of September 30, 2020, compared to \$3.5 million, or 1.26% of total loans, excluding acquired loans, as of June 30, 2020. In addition, the balance of loans on deferral in accordance with the provisions of the CARES Act decreased to \$6.1 million as of September 30, 2020, compared to \$49.8 million at June 30, 2020.

Capital

The Bank's capital position remains strong relative to current regulatory requirements. The Bank continues to have substantial liquidity that has been retained in cash or invested in high quality government-backed securities. As of September 30, 2020, William Penn's tangible capital to tangible assets totaled 12.34%. In addition, at September 30, 2020, we had the ability to borrow up to \$304.1 million from the Federal Home Loan Bank of Pittsburgh. 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. William Penn Bank has elected to follow this alternative framework. As of September 30, 2020, William Penn Bank had a community bank leverage ratio of 11.92% and is considered well-capitalized under the prompt corrective action framework.

About William Penn Bancorp, Inc.

William Penn Bancorp, Inc., headquartered in Bristol, Pennsylvania, is the holding company for William Penn Bank, which serves 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's executive offices are located at 10 Canal Street, Suite 104, 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. For more information about the Bank and William Penn, please visit www.william penn.bank.

Forward Looking Statements

This news release may contain forward-looking statements, which can be identified by the use of words such as "believes," "expects," "anticipates," "estimates" or similar expressions. Such forward-looking statements and all other statements that are not historic facts are subject to risks and uncertainties which could cause actual results to differ materially from those currently anticipated due to a number of factors. These factors include, but are not limited to, general economic conditions, the effect of the COVID-19 pandemic (including its impact on our business operations and credit quality, on our customers and their ability to repay their loan obligations and on general economic and financial market conditions), changes in the interest rate environment, legislative or regulatory changes that may adversely affect our business, changes in accounting policies and practices, changes in competition and demand for financial services, adverse changes in the securities markets, changes in deposit flows, changes in the quality or composition of our loan or investment portfolios and our ability to successfully integrate the business operations of Fidelity Savings and Loan Association of Bucks County and Washington Savings Bank, each of

which we recently acquired on May 1, 2020, into our business operations. Additionally, other risks and uncertainties may be described in William Penn's Annual Report, which is available through the Company's website www.williampenn.bank. Should one or more of these risks materialize, actual results may vary from those anticipated, estimated or projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Except as may be required by applicable law or regulation, William Penn assumes no obligation to update any forward-looking statements.

WILLIAM PENN BANCORP, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Financial Condition
(Dollars in thousands, except share amounts)

	<u>September 30,</u> 2020	<u>June 30,</u> 2020	<u>September 30,</u> 2019
ASSETS			
Cash and due from banks	\$ 11,336	\$ 21,385	\$ 7,317
Interest bearing deposits with other banks	34,539	56,755	7,685
Federal funds sold	10,207	4,775	-
Total cash and cash equivalents	<u>56,082</u>	<u>82,915</u>	<u>15,002</u>
Interest-bearing time deposits	2,300	2,300	6,487
Securities available for sale	123,597	89,998	36,749
Loans receivable, net of allowance for loan losses of \$3,585, \$3,519, and \$3,151, respectively	497,630	508,605	326,592
Premises and equipment, net	13,924	16,733	9,017
Regulatory stock, at cost	3,219	4,200	2,778
Deferred income taxes	4,448	4,817	1,472
Bank-owned life insurance	14,870	14,758	11,286
Goodwill	4,858	4,858	4,858
Intangible assets	1,128	1,192	1,113
Accrued interest receivable and other assets	9,497	6,076	2,539
TOTAL ASSETS	<u>\$ 731,553</u>	<u>\$ 736,452</u>	<u>\$ 417,893</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Deposits	\$ 581,493	\$ 559,848	\$ 286,371
Advances from Federal Home Loan Bank	41,000	64,892	50,000
Advances from borrowers for taxes and insurance	2,910	4,536	2,033
Accrued interest payable and other liabilities	10,644	10,811	4,178
TOTAL LIABILITIES	<u>636,047</u>	<u>640,087</u>	<u>342,582</u>
Commitments and contingencies	-	-	-
STOCKHOLDERS' EQUITY			
Preferred stock, no par value	-	-	-
Common Stock, \$.10 par value	467	467	416
Additional paid-in capital	42,932	42,932	22,441
Treasury stock	(3,710)	(3,710)	(3,710)
Retained earnings	55,384	56,600	56,126
Accumulated other comprehensive income	433	76	38
TOTAL STOCKHOLDERS' EQUITY	<u>95,506</u>	<u>96,365</u>	<u>75,311</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 731,553</u>	<u>\$ 736,452</u>	<u>\$ 417,893</u>

WILLIAM PENN BANCORP, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Income
(Dollars in thousands, except per share amounts)

	Three months ended		
	September 30, 2020	June 30, 2020	September 30, 2019
INTEREST INCOME			
Loans receivable, including fees	\$ 5,893	\$ 5,414	\$ 4,151
Securities	653	355	273
Other	111	42	152
Total Interest Income	<u>6,657</u>	<u>5,811</u>	<u>4,576</u>
INTEREST EXPENSE			
Deposits	1,081	946	873
Borrowings	359	350	330
Total Interest Expense	<u>1,440</u>	<u>1,296</u>	<u>1,203</u>
Net Interest Income	5,217	4,515	3,373
Provision for Loan Losses	66	605	-
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>5,151</u>	<u>3,910</u>	<u>3,373</u>
OTHER INCOME			
Service fees	183	124	139
Gain on sale of securities	-	41	93
Earnings on bank-owned life insurance	112	98	83
Gain on bargain purchase	-	746	-
Gain on sale of premises and equipment	15	-	-
Other	90	132	32
Total Other Income	<u>400</u>	<u>1,141</u>	<u>347</u>
OTHER EXPENSES			
Salaries and employee benefits	2,554	2,229	1,571
Occupancy and equipment	759	576	295
Data processing	422	356	304
Professional fees	188	49	102
Merger related expenses	-	3,294	-
Amortization on intangible assets	64	66	59
Prepayment penalties	161	-	-
Other	587	252	315
Total Other Expense	<u>4,735</u>	<u>6,822</u>	<u>2,646</u>
Income (Loss) Before Income Taxes	816	(1,771)	1,074
Income Tax Expense (Benefit)	<u>146</u>	<u>(479)</u>	<u>220</u>
NET INCOME (LOSS)	<u>\$ 670</u>	<u>\$ (1,292)</u>	<u>\$ 854</u>
Basic and diluted earnings per share	\$ 0.15	\$ (0.30)	\$ 0.21

WILLIAM PENN BANCORP, INC. AND SUBSIDIARIES
Unaudited Selected Consolidated Financial and Other Data
(Dollars in thousands)

(Dollars in thousands)	Three months ended								
	September 30, 2020			June 30, 2020			September 30, 2019		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
Interest-earning assets:									
Loans	\$504,463	\$5,893	4.67%	\$432,797	\$5,414	5.00%	\$329,964	\$4,151	5.03%
Investment securities	109,663	653	2.53	68,637	355	2.17	30,828	273	3.54
Other interest-earning assets	63,051	111	0.70	44,125	42	0.38	22,821	152	2.66
Total interest-earning assets	<u>677,177</u>	<u>6,657</u>	3.96	<u>545,559</u>	<u>5,811</u>	4.27	<u>383,613</u>	<u>4,576</u>	4.77
Non-interest-earning assets	58,669			50,826			34,156		
Total assets	<u>\$735,846</u>			<u>\$596,385</u>			<u>\$417,769</u>		
Interest-bearing liabilities:									
Interest-bearing checking accounts	\$101,272	51	0.20%	\$77,074	36	0.19%	\$55,394	16	0.12%
Money market deposit accounts	136,543	326	0.96	108,257	233	0.86	70,500	287	1.63
Savings, including club deposits	94,586	43	0.18	62,789	32	0.20	32,105	12	0.15
Certificates of deposit	198,933	661	1.33	154,973	645	1.66	113,628	558	1.96
Total interest-bearing deposits	<u>531,334</u>	<u>1,081</u>	0.81	<u>403,093</u>	<u>946</u>	0.94	<u>271,627</u>	<u>873</u>	1.29
FHLB advances	52,608	359	2.73	62,204	350	2.25	50,000	330	2.64
Total interest-bearing liabilities	<u>583,942</u>	<u>1,440</u>	0.99	<u>465,297</u>	<u>1,296</u>	1.11	<u>321,627</u>	<u>1,203</u>	1.50
Non-interest-bearing liabilities:									
Non-interest-bearing deposits	41,145			32,180			13,049		
Other non-interest-bearing liabilities	14,938			11,827			7,471		
Total liabilities	<u>640,025</u>			<u>509,304</u>			<u>342,147</u>		
Total equity	<u>95,821</u>			<u>87,081</u>			<u>75,622</u>		
Total liabilities and equity	<u>\$735,846</u>			<u>\$596,385</u>			<u>\$417,769</u>		
Net interest income		<u>\$5,217</u>			<u>\$4,515</u>			<u>\$3,373</u>	
Interest rate spread		2.96%			3.15%			3.27%	
Net interest-earning assets	\$93,235			\$80,262			\$61,986		
Net interest margin		3.11%			3.32%			3.52%	
Ratio of interest-earning assets to interest-bearing liabilities	115.97%			117.25%			119.27%		

ASSET QUALITY INDICATORS (Dollars in thousands)	September 30, 2020	June 30, 2020	September 30, 2019
Non-performing assets:			
Non-accruing loans	\$4,775	\$3,172	\$1,917
Accruing loans past due 90 days or more	28	90	139
Total non-performing loans	<u>\$4,803</u>	<u>\$3,262</u>	<u>\$2,056</u>
Real estate owned	<u>100</u>	<u>100</u>	<u>-</u>
Total non-performing assets	<u><u>\$4,903</u></u>	<u><u>\$3,362</u></u>	<u><u>\$2,056</u></u>
Non-performing loans to total loans and leases	0.96%	0.64%	0.62%
Non-performing assets to total assets	0.67%	0.46%	0.49%
ALLL to total loans and leases	0.72%	0.69%	0.96%
ALLL to non-performing loans	74.64%	107.88%	153.26%

Key performance ratios (annualized) are as follows for the three months ended (unaudited):

	For the Three Months Ended		
	September 30, 2020	June 30, 2020	September 30, 2019
PERFORMANCE RATIOS:			
<i>(annualized)</i>			
Return on average assets	0.36%	-0.87%	0.82%
Return on average assets (excluding merger charges and gain on bargain purchase)	0.36%	0.84%	0.82%
Return on average equity	2.80%	-5.93%	4.52%
Return on average equity (excluding merger charges and gain on bargain purchase)	2.80%	5.77%	4.52%
Net interest margin	3.11%	3.32%	3.52%
Net charge-off ratio	0.00%	0.02%	0.00%
Efficiency ratio	85.30%	135.06%	71.13%
Efficiency ratio (excluding merger charges and gain on bargain purchase)	85.30%	81.95%	71.13%
Tangible common equity	12.34%	12.37%	16.83%