

FOR IMMEDIATE RELEASE

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WILLIAM PENN BANCORP, INC. ANNOUNCES QUARTER AND YEAR END RESULTS AND APPOINTMENTS OF EXECUTIVE OFFICERS

BRISTOL, PENNSYLVANIA, August 11, 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 and year ended June 30, 2020. William Penn recorded a net loss of \$1.3 million and net income of \$1.3 million, or (\$0.32) and \$0.33 per diluted share, for the quarter and year ended June 30, 2020, respectively, compared to net income of \$1.3 million and \$3.8 million, or \$0.33 and \$0.94 per diluted share, for the quarter and year ended June 30, 2019, respectively. Net income for the quarter and year ended June 30, 2020 included \$2.5 million, or \$0.63 per diluted share, of merger related expenses net of the gain on bargain purchase associated with the acquisitions of Washington Savings Bank (“Washington”) and Fidelity Savings and Loan Association of Bucks County (“Fidelity”) on May 1, 2020.

Kenneth J. Stephon, William Penn’s President and CEO, stated “Despite a challenging operating environment related to the COVID-19 pandemic, we continued to make progress on our strategic priorities during the year. We successfully completed the acquisitions of Washington and Fidelity, organically grew deposits, and continued to invest in the growth of our business. In fiscal 2020, we opened a new branch in Collingswood, New Jersey and added five new offices through the two acquisitions, bringing our branch network up to twelve full-service locations. We continue to make strategic investments in technology and talent to help us continue to grow and serve our customers going forward. We are currently working to prudently deploy the excess cash we hold on our balance sheet from the two acquisitions to improve our asset mix and augment earnings.”

Highlights for the quarter and year ended June 30, 2020 are as follows:

- William Penn completed the acquisition of Washington and Fidelity on May 1, 2020, which increased total loans by \$177.5 million and total deposits by \$202.0 million.
- The Company opened a new branch located in Collingswood, New Jersey that is currently offering curbside assistance.
- The Company appointed Jonathan Logan to the role of Chief Financial Officer, Gregory Garcia to the role of Chief Operating Officer, and Jill M. Ross to the role of Chief Retail & Commercial Officer.
- William Penn increased credit reserves amidst the uncertain economic environment and recorded a \$605 thousand provision for credit losses during the quarter ended June 30, 2020.
- During the year ended June 30, 2020, William Penn recorded net income of \$1.3 million, or \$0.33 per diluted share.
- Tangible book value per share measured \$20.12 as of June 30, 2020, compared to \$17.74 as of June 30, 2019, an increase of \$2.38, or 13.4%.
- Net interest income increased \$1.1 million, or 33.3%, and \$569 thousand, or 4.0%, for the quarter and year ended June 30, 2020 compared to the same periods in the prior year.
- Non-interest income for the quarter and year ended June 30, 2020 includes a \$746 thousand gain on bargain purchase associated with the acquisitions of Washington and Fidelity.
- Non-interest expense for the quarter and year ended June 30, 2020 includes \$3.3 million of merger related expenses associated with the acquisitions of Washington and Fidelity.

- Asset quality metrics continued to remain strong with non-performing assets to total assets of 0.46% as of June 30, 2020. Our allowance for loan losses totaled \$3.5 million, or 1.26% of total loans, excluding acquired loans, as of June 30, 2020.

Balance Sheet

Total assets increased \$321.1 million, or 77.2%, to \$736.9 million at June 30, 2020, from \$415.8 million of total assets at June 30, 2019. The increase in total assets can primarily be attributed to a \$244.9 million increase from the acquisitions of Washington and Fidelity.

Cash and cash equivalents increased \$56.7 million, or 216.9%, to \$82.9 million at June 30, 2020, from \$26.2 million at June 30, 2019. The increase in cash and cash equivalents was primarily driven by cash acquired as part of the acquisitions of Washington and Fidelity and organic deposit growth, partially offset by purchases of investment securities.

Investments increased \$67.5 million, or 298.9%, to \$90.0 million at June 30, 2020, compared to \$22.5 million at June 30, 2019. 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.

Loans increased \$182.6 million, or 56.0%, to \$508.6 million at June 30, 2020, from \$326.0 million at June 30, 2019. The increase in loans can primarily be attributed to the \$177.5 million of loans acquired as part of the acquisitions of Washington and Fidelity. 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. William Penn also granted eligible loan modifications in the form of payment deferral of principal and interest for \$49.8 million of existing loans under the 2020 Coronavirus Aid, Relief, and Economic Security Act.

Deposits increased \$278.9 million, or 99.2%, to \$560.1 million at June 30, 2020, from \$281.2 million at June 30, 2019. Deposit growth was primarily achieved through \$202.0 million of deposits acquired from Washington and Fidelity on May 1, 2020 with the remaining increase attributed to strong organic growth. Excluding deposits acquired in the mergers, organic growth produced an increase in deposits of \$76.9 million, or 27.3%.

Borrowings increased \$14.5 million, or 29.8%, to \$64.9 million at June 30, 2020, from \$50.0 million at June 30, 2019. The increase in borrowings was primarily due to FHLB advances acquired from Washington and Fidelity.

Stockholders' equity increased \$19.8 million, or 25.8%, to \$96.4 million at June 30, 2020, from \$76.6 million at June 30, 2019. The increase in stockholders' equity was primarily due to \$20.5 million of equity recorded at fair value in connection with the acquisitions of Washington and Fidelity and \$1.3 million of net income during the year ended June 30, 2020, partially offset by \$1.9 million of dividends paid to common shareholders during the year ended June 30, 2020.

Net Interest Income

For the quarter ended June 30, 2020, net interest income was \$4.5 million, an increase of \$1.1 million, or 33.3%, from the quarter ended June 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 and Fidelity. The net interest margin totaled 3.06% for the quarter ended June 30, 2020 as compared to 3.57% 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.

For the year ended June 30, 2020, William Penn reported net interest income of \$14.8 million, an increase of \$569 thousand, or 4.0%, from the year ended June 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 and Fidelity on May 1, 2020. Our net interest margin totaled 3.27% for the year ended June 30, 2020, from 3.76% for 2019.

Non-interest Income

For the quarter ended June 30, 2020, non-interest income totaled \$1.1 million, an increase of \$664 thousand, or 139.2%, from the quarter ended June 30, 2019. The increase was primarily due to a \$746 thousand gain on bargain purchase recorded in

connection with the acquisitions of Washington and Fidelity. This increase in non-interest income was partially offset by a \$237 thousand gain on sale of loans recorded during the quarter ended June 30, 2019.

For the year ended June 30, 2020, non-interest income totaled \$2.2 million, an increase of \$1.0 million, or 91.7%, from the year ended June 30, 2019. The increase was primarily due to a \$746 thousand gain on bargain purchase recorded in connection with the acquisitions of Washington and Fidelity and a \$98 thousand increase in the gain on sale of investment securities.

Non-interest Expense

For the quarter ended June 30, 2020, non-interest expense totaled \$6.8 million, an increase of \$4.4 million, or 184.7%, from the quarter ended June 30, 2019. The increase in non-interest expense was primarily due to \$3.3 million of merger related expenses associated with the acquisitions of Washington and Fidelity, as well as a \$540 thousand increase in salaries and employee benefits due to the addition of new employees from the acquisitions of Washington and Fidelity.

For the year ended June 30, 2020, non-interest expense totaled \$15.4 million, an increase of \$4.9 million, or 47.3%, from the year ended June 30, 2019. The increase in non-interest expense was primarily due to \$3.3 million of merger related expenses associated with the acquisitions of Washington and Fidelity, as well as a \$688 thousand increase in occupancy and equipment expense due to the addition of premises and equipment from the acquisitions of Washington and Fidelity.

Income Taxes

For the year ended June 30, 2020, we recorded an income tax benefit of \$387 thousand, reflecting an effective tax benefit of 41.1%, compared to a provision for income taxes of \$1.1 million, reflecting an effective tax rate of 22.0%, for the year ended June 30, 2019. The decrease in the effective tax rate in the year ended June 30, 2020 compared to the same period a year ago is primarily due to the timing of the reversal of a deferred tax asset valuation allowance related to the Company's investment in bank-owned life insurance.

Asset Quality

Our ratio of non-performing assets to total assets decreased to 0.46% as of June 30, 2020 compared to 0.48% as of June 30, 2019. Net charge-offs for the year ended June 30, 2020, totaled \$257 thousand, or 6 basis points of average loans, compared to net charge-offs of \$17 thousand, or 1 basis point of average loans, for the year ended June 30, 2019. As a result of the continued economic uncertainty due to the COVID-19 pandemic, we recorded a \$626 thousand provision for loan losses during the year ended June 30, 2020 compared to an \$88 thousand provision for loan losses during the prior year. Our allowance for loan losses totaled \$3.5 million, or 1.26% of total loans, excluding acquired loans, as of June 30, 2020, compared to \$3.2 million, or 1.24% of total loans, excluding acquired loans, as of June 30, 2019.

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 June 30, 2020, William Penn's tangible capital to tangible assets totaled 12.36%. In addition, at June 30, 2020, we had the ability to borrow up to \$223.0 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 June 30, 2020, William Penn Bank had a community bank leverage ratio of 13.67% and is considered well-capitalized under the prompt corrective action framework.

Appointments of Executive Officers

William Penn announced the appointment of Jonathan Logan as Chief Financial Officer and Senior Vice President of the Company and the Bank. Mr. Logan is a Certified Public Accountant who started his career at Ernst & Young before joining Beneficial Bancorp, Inc., where he held progressively responsible positions including serving as Corporate Controller. He holds a Bachelor of Science degree in Business Administration from Susquehanna University, where he majored in Accounting.

William Penn also announced the appointment of Gregory Garcia as Chief Operating Officer and Executive Vice President, having previously served in the capacity of Chief Financial Officer of the Company and the Bank since January 2019. Mr. Garcia is a graduate of Rutgers University and the Stonier Graduate School of Banking at the University of Pennsylvania.

William Penn also announced that the role of Executive Vice President Jill M. Ross had been expanded, with a corresponding change in title to EVP – Chief Retail & Commercial Officer. Ms. Ross joined William Penn in March 2019 as Chief Retail Officer. She earned a Bachelor of Science Degree in Finance from Rutgers University and a Master’s Degree from Rutgers in Social Work and Organizational Leadership.

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, 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.william penn.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>June 30,</u> <u>2020</u>	<u>March 31,</u> <u>2020</u>	<u>June 30,</u> <u>2019</u>
ASSETS			
Cash and due from banks	\$ 6,403	\$ 7,185	\$ 8,260
Interest bearing deposits with other banks	76,512	12,967	17,908
Total cash and cash equivalents	82,915	20,152	26,168
Interest-bearing time deposits	2,562	2,000	8,486
Securities available for sale	89,208	56,042	20,660
Securities held to maturity	814	718	1,906
Loans receivable, net of allowance for loan losses of \$3,519, \$3,009 and \$3,209, respectively	508,605	346,408	326,017
Premises and equipment, net	16,733	10,786	8,406
Regulatory stock, at cost	4,267	3,175	2,785
Deferred income taxes	4,787	2,472	2,111
Other real estate owned	100	-	-
Bank-owned life insurance	14,758	11,452	11,203
Goodwill	4,858	4,858	4,858
Intangible assets	1,192	996	1,172
Accrued interest receivable and other assets	6,049	2,657	2,057
TOTAL ASSETS	\$ 736,848	\$ 461,716	\$ 415,829
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Deposits	\$ 560,110	\$ 313,514	\$ 281,206
Advances from Federal Home Loan Bank	64,892	61,000	50,000
Advances from borrowers for taxes and insurance	4,536	3,584	3,814
Accrued interest payable and other liabilities	10,945	6,448	4,179
TOTAL LIABILITIES	640,483	384,546	339,199
Commitments and contingencies	-	-	-
STOCKHOLDERS' EQUITY			
Preferred stock, no par value	-	-	-
Common Stock, \$.10 par value	467	416	416
Additional paid-in capital	42,932	22,441	22,435
Treasury stock	(3,710)	(3,710)	(3,710)
Retained earnings	56,600	57,892	57,261
Accumulated other comprehensive income	76	131	228
TOTAL STOCKHOLDERS' EQUITY	96,365	77,170	76,630
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 736,848	\$ 461,716	\$ 415,829

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

	Quarter ended			Year ended	
	June 30, 2020	March 31, 2020	June 30, 2019	June 30, 2020	June 30, 2019
INTEREST INCOME					
Loans receivable, including fees	\$ 5,414	\$ 4,277	\$ 4,172	\$ 17,914	\$ 16,595
Securities	362	444	215	1,557	415
Other	35	104	108	346	811
Total Interest Income	5,811	4,825	4,495	19,817	17,821
INTEREST EXPENSE					
Deposits	946	892	780	3,604	2,297
Borrowings	350	364	328	1,414	1,294
Total Interest Expense	1,296	1,256	1,108	5,018	3,591
Net Interest Income	4,515	3,569	3,387	14,799	14,230
Provision for Loan Losses	605	21	-	626	88
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,910	3,548	3,387	14,173	14,142
OTHER INCOME					
Service fees	124	151	137	569	483
Realized losses on sale of REO, net	-	-	(31)	(16)	(30)
Gain on sale of loans	-	-	237	-	12
Gain on sale of securities	41	103	-	238	140
Earnings on bank-owned life insurance	98	84	82	347	327
Gain on bargain purchase	746	-	-	746	-
Other	132	47	52	276	195
Total Other Income	1,141	385	477	2,160	1,127
OTHER EXPENSES					
Salaries and employee benefits	2,038	1,633	1,498	6,855	6,438
Occupancy and equipment	576	399	262	1,784	1,096
Data processing	356	276	158	1,155	692
Professional fees	49	152	101	451	277
Merger related expenses	3,294	-	-	3,294	796
Amortization on intangible assets	67	59	65	242	260
Other	442	367	312	1,611	894
Total Other Expense	6,822	2,886	2,396	15,392	10,453
Income Before Income Taxes	(1,771)	1,047	1,468	941	4,816
Income Tax Expenses	(479)	210	205	(387)	1,060
NET INCOME	\$ (1,292)	\$ 837	\$ 1,263	\$ 1,328	\$ 3,756
Basic and diluted earnings per share	\$ (0.32)	\$ 0.21	\$ 0.32	\$ 0.33	\$ 0.94

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

Average Balance Tables

(Dollars in thousands)	Year Ended June 30,					
	2020			2019		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
Interest-earning assets:						
Loans (1)	\$366,961	\$17,914	4.88%	\$330,102	\$16,595	5.03%
Investment securities (2)	56,799	1,557	2.74	17,181	415	2.42
Other interest-earning assets	29,251	346	1.18	30,899	811	2.62
Total interest-earning assets	<u>453,011</u>	<u>19,817</u>	4.37	<u>378,182</u>	<u>17,821</u>	4.71
Non-interest-earning assets	<u>38,036</u>			<u>30,960</u>		
Total assets	<u><u>\$491,047</u></u>			<u><u>\$409,142</u></u>		
Interest-bearing liabilities:						
Interest bearing accounts	\$63,389	82	0.13%	\$56,605	53	0.09%
Money market deposit accounts	88,965	1,136	1.28	64,363	524	0.81
Savings, including club deposits	42,044	67	0.16	39,354	48	0.12
Certificates of deposit	127,597	2,319	1.82	105,464	1,672	1.59
Total interest-bearing deposits	<u>321,995</u>	<u>3,604</u>	1.12	<u>265,786</u>	<u>2,297</u>	0.86
FHLB advances	<u>58,401</u>	<u>1,414</u>	2.42	<u>48,772</u>	<u>1,294</u>	2.65
Total interest-bearing liabilities	<u><u>380,396</u></u>	<u><u>5,018</u></u>	1.32	<u><u>314,558</u></u>	<u><u>3,591</u></u>	1.14
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	20,311			11,901		
Other non-interest-bearing liabilities	9,218			7,771		
Total liabilities	<u>409,925</u>			<u>334,230</u>		
Total equity	<u>81,122</u>			<u>74,912</u>		
Total liabilities and equity	<u><u>\$491,047</u></u>			<u><u>\$409,142</u></u>		
Net interest income		<u><u>\$14,799</u></u>			<u><u>\$14,230</u></u>	
Interest rate spread (3)		3.05%			3.57%	
Net interest-earning assets (4)	\$72,615			\$63,624		
Net interest margin (5)		3.27%			3.76%	
Ratio of interest-earning assets to interest-bearing liabilities		119.09%			120.23%	

ASSET QUALITY INDICATORS (Dollars in thousands)	June 30, 2020	June 30, 2019
Non-performing assets:		
Non-accruing loans	\$3,172	\$1,844
Accruing loans past due 90 days or more	90	147
Total non-performing loans	<u>\$3,262</u>	<u>\$1,991</u>
Real estate owned	<u>100</u>	<u>-</u>
Total non-performing assets	<u><u>\$3,362</u></u>	<u><u>\$1,991</u></u>
Non-performing loans to total loans and leases	0.64%	0.60%
Non-performing assets to total assets	0.46%	0.48%
ALLL to total loans and leases	0.69%	0.96%
ALLL to non-performing loans	107.88%	161.18%

Key performance ratios are as follows for the year ended (unaudited):

	For the Year Ended	
	June 30,	
	2020	2019
PERFORMANCE RATIOS:		
Return on average assets	0.27%	0.92%
Return on average assets (excluding merger charges and gain on bargain purchase)	0.79%	1.11%
Return on average equity	1.64%	5.01%
Return on average equity (excluding merger charges and gain on bargain purchase)	4.78%	6.08%
Net interest margin	2.90%	3.76%
Net charge-off ratio	0.06%	0.01%
Efficiency ratio	90.76%	68.07%
Efficiency ratio (excluding merger charges and gain on bargain purchase)	74.62%	62.88%
Tangible common equity	12.36%	17.23%