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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

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**FORM 10-Q**

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**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2023  
OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File No. 001-40255

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**WILLIAM PENN BANCORPORATION**  
(Exact Name of Registrant as Specified in Its Charter)

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**Maryland**  
(Statement or Other Jurisdiction of  
Incorporation or Organization)  
**10 Canal Street, Suite 104, Bristol, Pennsylvania**  
(Address of Principal Executive Offices)

**85-3898797**  
(I.R.S. Employer  
Identification No.)  
**19007**  
(Zip Code)

**(267) 540-8500**  
(Registrant's telephone number, including area code)

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Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	WMPN	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of the issuer's common stock, as of February 1, 2024: 9,551,316 shares.

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# WILLIAM PENN BANCORPORATION

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## PART I — FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

#### WILLIAM PENN BANCORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands, except share and per share amounts)

As of December 31, 2023 and June 30, 2023 (unaudited)

	December 31, 2023	June 30, 2023
<b>ASSETS</b>		
Cash and due from banks	\$ 6,122	\$ 7,652
Interest bearing deposits with other banks	11,402	11,561
Federal funds sold	—	1,580
Total cash and cash equivalents	17,524	20,793
Interest-bearing time deposits	100	600
Securities available for sale, at fair value	160,938	165,127
Securities held to maturity, net of allowance for credit losses of \$0 as of December 31, 2023 (fair value of \$81,239 and \$82,313, as of December 31, 2023 and June 30, 2023, respectively)	96,404	99,690
Equity securities	1,850	1,629
Loans receivable, net of allowance for credit losses of \$3,601 and \$3,313 as of December 31, 2023 and June 30, 2023, respectively	467,214	477,543
Premises and equipment, net	7,521	9,054
Regulatory stock, at cost	3,313	2,577
Deferred income taxes	9,002	9,485
Bank-owned life insurance	41,179	40,575
Goodwill	4,858	4,858
Intangible assets	437	519
Operating lease right-of-use assets	8,617	8,931
Accrued interest receivable and other assets	7,074	6,198
<b>TOTAL ASSETS</b>	<b>\$ 826,031</b>	<b>\$ 847,579</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits	\$ 626,663	\$ 635,260
Advances from Federal Home Loan Bank	54,000	34,000
Advances from borrowers for taxes and insurance	2,481	3,227
Operating lease liabilities	8,834	9,107
Accrued interest payable and other liabilities	5,107	5,240
<b>TOTAL LIABILITIES</b>	<b>697,085</b>	<b>686,834</b>
Commitments and contingencies (note 12)	—	—
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized; no shares issued	—	—
Common stock, \$0.01 par value, 150,000,000 shares authorized; 9,637,072 shares issued and outstanding at December 31, 2023 and 12,452,921 shares issued and outstanding at June 30, 2023	96	125
Additional paid-in capital	100,651	134,387
Unearned common stock held by employee stock ownership plan	(8,991)	(9,194)
Retained earnings	58,132	58,805
Accumulated other comprehensive loss	(20,942)	(23,378)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>128,946</b>	<b>160,745</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 826,031</b>	<b>\$ 847,579</b>

See accompanying notes to consolidated financial statements

**WILLIAM PENN BANCORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

(Dollars in thousands, except share and per share amounts)

For the Three and Six Months Ended December 31, 2023 and 2022 (unaudited)

	<u>Three Months Ended December 31,</u>		<u>Six Months Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>INTEREST INCOME</b>				
Loans receivable, including fees	\$ 6,194	\$ 5,666	\$ 12,333	\$ 10,963
Securities	1,700	1,707	3,411	3,364
Other	169	187	330	316
<b>Total interest income</b>	<u>8,063</u>	<u>7,560</u>	<u>16,074</u>	<u>14,643</u>
<b>INTEREST EXPENSE</b>				
Deposits	3,220	974	5,950	1,483
Borrowings	632	550	1,169	883
<b>Total interest expense</b>	<u>3,852</u>	<u>1,524</u>	<u>7,119</u>	<u>2,366</u>
<b>Net interest income</b>	4,211	6,036	8,955	12,277
Provision for credit losses	25	—	30	—
<b>NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES</b>				
	<u>4,186</u>	<u>6,036</u>	<u>8,925</u>	<u>12,277</u>
<b>OTHER INCOME</b>				
Service fees	225	209	440	420
Net gain on sale of securities	85	—	85	—
Earnings on bank-owned life insurance	309	274	603	547
Net gain on disposition of premises and equipment	—	300	—	299
Unrealized gain (loss) on equity securities	148	54	221	(219)
Other	61	65	129	137
<b>Total other income</b>	<u>828</u>	<u>902</u>	<u>1,478</u>	<u>1,184</u>
<b>OTHER EXPENSES</b>				
Salaries and employee benefits	2,861	3,222	5,796	6,463
Occupancy and equipment	728	907	1,488	1,695
Data processing	504	472	998	903
Professional fees	192	258	402	521
Amortization of intangible assets	41	49	82	97
Other	745	752	1,530	1,544
<b>Total other expense</b>	<u>5,071</u>	<u>5,660</u>	<u>10,296</u>	<u>11,223</u>
<b>(Loss) income before income taxes</b>	(57)	1,278	107	2,238
<b>Income tax (benefit) expense</b>	(68)	217	(83)	150
<b>NET INCOME</b>	<u>\$ 11</u>	<u>\$ 1,061</u>	<u>\$ 190</u>	<u>\$ 2,088</u>
Basic and diluted earnings per share	\$ —	\$ 0.08	\$ 0.02	\$ 0.16

See accompanying notes to consolidated financial statements

**WILLIAM PENN BANCORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(Dollars in thousands)

*For the Three and Six Months Ended December 31, 2023 and 2022 (unaudited)*

	<u>Three Months Ended December 31,</u>		<u>Six Months Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net income	\$ 11	\$ 1,061	\$ 190	\$ 2,088
Other comprehensive income (loss):				
Changes in net unrealized loss on securities available for sale	9,206	1,038	3,249	(9,028)
Tax effect	(2,118)	(240)	(748)	2,076
Reclassification adjustment for gain recognized in net income	(85)	—	(85)	—
Tax effect	20	—	20	—
Other comprehensive income (loss), net of tax	7,023	798	2,436	(6,952)
Comprehensive income (loss)	<u>\$ 7,034</u>	<u>\$ 1,859</u>	<u>\$ 2,626</u>	<u>\$ (4,864)</u>

*See accompanying notes to consolidated financial statements*

**WILLIAM PENN BANCORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

(Dollars in thousands, except share amounts)

For the Three and Six Months Ended December 31, 2023 and 2022 (unaudited)

	Number of Shares, net	Common Stock	Additional Paid-in capital	Unearned Common Stock held by ESOP	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
<b>Balance, June 30, 2023</b>	<b>12,452,921</b>	<b>\$ 125</b>	<b>\$ 134,387</b>	<b>\$ (9,194)</b>	<b>\$ 58,805</b>	<b>\$ (23,378)</b>	<b>\$ 160,745</b>
Net income	—	—	—	—	179	—	179
Other comprehensive loss	—	—	—	—	—	(4,587)	(4,587)
Cumulative effect of adoption of ASU 2016-13	—	—	—	—	(226)	—	(226)
Restricted stock expense	—	—	282	—	—	—	282
Stock option expense	—	—	195	—	—	—	195
Stock purchased and retired	(1,624,018)	(17)	(19,931)	—	—	—	(19,948)
ESOP shares committed to be released	—	—	1	101	—	—	102
Regular cash dividend paid (\$0.03 per share)	—	—	—	—	(348)	—	(348)
<b>Balance, September 30, 2023</b>	<b>10,828,903</b>	<b>\$ 108</b>	<b>\$ 114,934</b>	<b>\$ (9,093)</b>	<b>\$ 58,410</b>	<b>\$ (27,965)</b>	<b>\$ 136,394</b>
Net income	—	—	—	—	11	—	11
Other comprehensive income	—	—	—	—	—	7,023	7,023
Restricted stock expense	—	—	281	—	—	—	281
Stock option expense	—	—	195	—	—	—	195
Stock purchased and retired	(1,191,831)	(12)	(14,766)	—	—	—	(14,778)
ESOP shares committed to be released	—	—	7	102	—	—	109
Regular cash dividend paid (\$0.03 per share)	—	—	—	—	(289)	—	(289)
<b>Balance, December 31, 2023</b>	<b>9,637,072</b>	<b>\$ 96</b>	<b>\$ 100,651</b>	<b>\$ (8,991)</b>	<b>\$ 58,132</b>	<b>\$ (20,942)</b>	<b>\$ 128,946</b>

	Number of Shares, net	Common Stock	Additional Paid-in capital	Unearned Common Stock held by ESOP	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
<b>Balance, June 30, 2022</b>	<b>14,896,590</b>	<b>\$ 149</b>	<b>\$ 159,546</b>	<b>\$ (9,599)</b>	<b>\$ 57,587</b>	<b>\$ (15,357)</b>	<b>\$ 192,326</b>
Net income	—	—	—	—	1,027	—	1,027
Other comprehensive loss	—	—	—	—	—	(7,750)	(7,750)
Restricted stock expense	—	—	289	—	—	—	289
Stock option expense	—	—	201	—	—	—	201
Stock purchased and retired	(397,352)	(4)	(4,578)	—	—	—	(4,582)
ESOP shares committed to be released	—	—	—	102	—	—	102
Regular cash dividend paid (\$0.03 per share)	—	—	—	—	(419)	—	(419)
<b>Balance, September 30, 2022</b>	<b>14,499,238</b>	<b>\$ 145</b>	<b>\$ 155,458</b>	<b>\$ (9,497)</b>	<b>\$ 58,195</b>	<b>\$ (23,107)</b>	<b>\$ 181,194</b>
Net income	—	—	—	—	1,061	—	1,061
Other comprehensive income	—	—	—	—	—	798	798
Restricted stock expense	—	—	269	—	—	—	269
Stock option expense	—	—	186	—	—	—	186
Shares forfeited under the William Penn Bancorporation 2022 Equity Incentive Plan	(13,904)	—	—	—	—	—	—
Stock purchased and retired	(342,007)	(4)	(3,973)	—	—	—	(3,977)
ESOP shares committed to be released	—	—	2	102	—	—	104
Regular cash dividend paid (\$0.03 per share)	—	—	—	—	(405)	—	(405)
<b>Balance, December 31, 2022</b>	<b>14,143,327</b>	<b>\$ 141</b>	<b>\$ 151,942</b>	<b>\$ (9,395)</b>	<b>\$ 58,851</b>	<b>\$ (22,309)</b>	<b>\$ 179,230</b>

See accompanying notes to consolidated financial statements

**WILLIAM PENN BANCORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)

For the Six Months Ended December 31, 2023 and 2022 (unaudited)

	Six Months Ended December 31,	
	2023	2022
<b>Cash flows from operating activities</b>		
Net income	\$ 190	\$ 2,088
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	30	—
Depreciation expense	400	584
Other accretion, net	(281)	(190)
Deferred income taxes	(295)	319
Net loss on disposition of premises and equipment	—	(299)
Amortization of core deposit intangibles	82	97
Amortization of ESOP	211	206
Net gain on sale of securities	(85)	—
Unrealized (gain) loss on equity securities	(221)	219
Earnings on bank-owned life insurance	(603)	(547)
Stock based compensation expense	953	945
Other, net	335	(515)
<b>Net cash provided by operating activities</b>	<b>716</b>	<b>2,907</b>
<b>Cash flows from investing activities</b>		
Securities available for sale:		
Purchases	(1,152)	(4,778)
Maturities, calls and principal paydowns	6,015	6,325
Proceeds from sale of securities	2,438	—
Securities held to maturity:		
Purchases	(998)	(5,023)
Maturities, calls and principal paydowns	4,301	4,130
Net decrease (increase) in loans receivable	10,384	(16,374)
Interest bearing time deposits:		
Maturities and principal paydowns	500	—
Regulatory stock purchases	(3,341)	(2,327)
Regulatory stock redemptions	2,605	2,567
Proceeds from the sale of premises and equipment held for sale	—	1,934
Purchases of premises and equipment, net	(104)	(243)
<b>Net cash provided by (used in) investing activities</b>	<b>20,648</b>	<b>(13,789)</b>
<b>Cash flows from financing activities</b>		
Net (decrease) increase in deposits	(8,525)	8,950
Net increase (repayment) of short-term borrowed funds	20,000	(5,000)
Repurchase of common stock	(34,726)	(8,559)
Decrease in advances from borrowers for taxes and insurance	(745)	(713)
Cash dividends	(637)	(824)
<b>Net cash used in financing activities</b>	<b>(24,633)</b>	<b>(6,146)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,269)</b>	<b>(17,028)</b>
<b>Cash and cash equivalents - beginning</b>	<b>20,793</b>	<b>36,170</b>
<b>Cash and cash equivalents - ending</b>	<b>\$ 17,524</b>	<b>\$ 19,142</b>
<b>Supplementary cash flows information</b>		
Interest paid	\$ 7,084	\$ 2,415
Income tax payments (refunds)	221	(107)
Operating lease right-of-use asset recorded	—	1,731
Operating lease liabilities recorded	—	1,731
Premises transferred to held for sale	1,237	—

See accompanying notes to consolidated financial statements

## **Notes to the Consolidated Financial Statements**

### **Note 1 - Nature of Operations**

William Penn Bancorporation (“the Company”) is a Maryland corporation that was incorporated in July 2020 to be the successor to William Penn Bancorp, Inc. (“William Penn Bancorp”) upon completion of the second-step conversion of William Penn Bank (the “Bank”) from the two-tier mutual holding company structure to the stock holding company structure. William Penn, MHC was the former mutual holding company for William Penn Bancorp prior to completion of the second-step conversion. In conjunction with the second-step conversion, each of William Penn, MHC and William Penn Bancorp ceased to exist. The second-step conversion was completed on March 24, 2021, at which time the Company sold, for gross proceeds of \$126.4 million, a total of 12,640,035 shares of common stock at \$10.00 per share. As part of the second-step conversion, each of the existing 776,647 outstanding shares of William Penn Bancorp common stock owned by persons other than William Penn, MHC was converted into 3.2585 shares of Company common stock. In addition, \$5.4 million of cash held by William Penn, MHC was transferred to the Company and recorded as an increase to additional paid-in capital following the completion of the second-step conversion.

In connection with the second-step conversion offering, the William Penn Bank Employee Stock Ownership Plan (“ESOP”) trustees subscribed for, and intended to purchase, on behalf of the ESOP, 8% of the shares of the Company common stock sold in the offering and to fund its stock purchase through a loan from the Company equal to 100% of the aggregate purchase price of the common stock. As a result of the second-step conversion offering being oversubscribed in the first tier of subscription priorities, the ESOP trustees were unable to purchase shares of the Company’s common stock in the second-step conversion offering. Subsequent to the completion of the second-step conversion on March 24, 2021, the ESOP trustees purchased 881,130 shares, or \$10.1 million, of the Company’s common stock in the open market. Such shares represent 6.97% of the shares of the Company common stock sold in the offering. The ESOP did not purchase any additional shares of Company common stock in connection with the second-step conversion and offering.

The Company owns 100% of the outstanding common stock of 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, Camden, and Mercer 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, as well as the Bank’s wholly owned subsidiary, WPSLA Investment Corporation (“WPSLA”). WPSLA is a Delaware corporation organized in April 2000 to hold certain investment securities for the Bank. At December 31, 2023, WPSLA held \$248.9 million of the Bank’s \$259.2 million investment securities portfolio. 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.

#### **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”) and in accordance with the rules of the U.S. Securities and Exchange Commission for Quarterly Reports on Form 10-Q. 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 credit losses, goodwill, income taxes, postretirement benefits, and the fair value of investment securities. Actual results could differ from those estimates and assumptions.

The interim unaudited consolidated financial statements reflect all normal and recurring adjustments, which are, in the opinion of management, considered necessary for a fair presentation of the financial condition and results of operations for the periods presented. The results of operations for the three and six months ended December 31, 2023 are not necessarily indicative of the results of operations that may be expected for the entire fiscal year or any other period. Certain reclassifications have been made in the consolidated financial statements to conform with current year classifications.



## 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 Accounting Standards Codification (“ASC”) 606. The main types of noninterest income within the scope of ASC 606 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. 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.

## 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.

## Recent Accounting Pronouncements Adopted

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*, which changes the impairment model for most financial assets. This update is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The underlying premise of the update is that financial assets measured at amortized cost should be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The allowance for credit losses should reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The income statement will be affected for the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. With certain exceptions, transition to the new requirements will be through a cumulative-effect adjustment to opening retained earnings as of the beginning of the first reporting period in which the guidance is adopted. This update is effective for SEC filers that are eligible to be smaller reporting companies, non-SEC filers, and all other companies, to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted this guidance using the modified retrospective approach for all financial assets measured at amortized cost, including loans, held to maturity debt securities and unfunded commitments, as well as available for sale securities. On July 1, 2023, the Company recorded a cumulative effect decrease to retained earnings of \$187 thousand, net of tax, related to loans and \$39 thousand, net of tax, related to unfunded commitments. The Company determined that there was no impact to retained earnings related to available for sale or held to maturity debt securities as a result of adopting this guidance. The results reported for periods beginning on or after July 1, 2023 are presented under ASC 326, while prior period amounts continue to be reported in accordance with previously applicable accounting standards.

The impact of the change from the incurred loss model to the current expected credit loss model is included in the table below.

(Dollars in thousands)	July 1, 2023		
	Pre-adoption	Adoption Impact	As Reported
<b>Assets</b>			
ACL on debt securities available for sale	\$ —	\$ —	\$ —
ACL on debt securities held to maturity	—	—	—
ACL on loans			
Residential real estate:			
1 - 4 family	486	(67)	419
Home equity and HELOCs	113	19	132
Construction -residential	214	(174)	40
Commercial real estate:			
1 - 4 family investor	569	(241)	328
Multi-family (five or more)	89	(30)	59
Commercial non-residential	1,420	379	1,799
Construction and land	281	(93)	188
Commercial	82	254	336
Consumer loans	59	196	255
<b>Liabilities</b>			
ACL on unfunded commitments	101	50	151
	<u>\$ 3,414</u>	<u>\$ 293</u>	<u>\$ 3,707</u>

#### Recent Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in this ASU were issued to enhance the transparency and decision usefulness of income tax disclosures. The amendments in the update address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. These updates are not expected to have a significant impact on the Company's financial statements.

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. The amendments in this ASU were issued in response to the SEC's August 2018 final rule that updated and simplified disclosure requirements that the SEC believed were "redundant, duplicative, overlapping, outdated, or superseded." The new guidance is intended to align U.S. GAAP requirements with those of the SEC and to facilitate the application of U.S. GAAP for all entities. Some of the amendments introduced by the ASU are technical corrections or clarifications of the FASB's current disclosure or presentation requirements. These updates are not expected to have a significant impact on the Company's financial statements.

In January 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, March 2020*, to provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. Entities can elect not to apply certain modification accounting requirements to contracts affected by what the guidance calls "reference rate reform" if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at the modification date or reassess a previous accounting determination. Also, entities can elect various optional expedients that would allow them to continue applying hedge accounting for hedging relationships affected by reference rate reform if certain criteria are met, and can make a one-time election to sell and/or reclassify held-to-maturity debt securities that reference an interest rate affected by reference rate reform. The sunset provision included in Topic 848 was based on the expectations of when LIBOR would cease being published. In March 2021, the UK Financial Conduct Authority announced that the intended cessation date of LIBOR would be June 30, 2023, which is beyond the established sunset date of Topic 848. In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. The amendments in this ASU provide temporary relief by deferring the sunset date provision included in Topic 848. The amendments in ASU 2022-06 defer the effective date for all entities upon issuance through December 31, 2024. These updates are not expected to have a significant impact on the Company's financial statements.

## **Allowance for Credit Losses on Loans**

The Company maintains its allowance for credit losses (“ACL”) at a level that management believes to be appropriate to absorb estimated credit losses as of the date of the Consolidated Statement of Financial Condition. The Company established its allowance in accordance with the guidance included in Accounting Standards Codification (“ASC”) 326, *Financial Instruments – Credit Losses* (“ASC 326”). The ACL is a valuation reserve established and maintained by charges against income and is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged-off against the ACL when they are deemed uncollectible. Expected recoveries do not exceed the aggregate amounts previously charged-off and expected to be charged-off. The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers our historical loss experience, the historical loss experience of a peer group of banks identified by management, current conditions and forecasts of future economic conditions. The determination of an appropriate ACL is inherently subjective and may have significant changes from period to period. The methodology for determining the ACL has two main components: evaluation of expected credit losses for certain groups of homogeneous loans that share similar risk characteristics and evaluation of loans that do not share risk characteristics with other loans. The ACL is measured on a collective (pool) basis when similar characteristics exist. The Company’s loan portfolio is segmented by loan types that have similar risk characteristics and behave similarly during economic cycles.

Historical credit loss experience is the basis for the estimate of expected credit losses. We apply our historical loss rates and the historical loss rates of a group of peer banks identified by management to pools of loans with similar risk characteristics using the Weighted-Average Remaining Maturity (“WARM”) method. The remaining contractual life of the pools of loans with similar risk characteristics is adjusted by expected scheduled payments and prepayments. After consideration of the historical loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information. Our reasonable and supportable forecast adjustment is based on a regional economic indicator obtained from the St. Louis Federal Reserve economic database. The Company selected eight qualitative metrics which were correlated with the Bank and its peer group’s historical loss patterns. The eight qualitative metrics include: changes in lending policies and procedures, changes in national and local economic conditions as well as business conditions, changes in the nature, complexity, and volume of the portfolio, changes in the experience, ability, and depth of lenders and lending management, changes in the volume and severity of past due and classified loans, changes in the quality of the Bank’s loan review system, changes in the value of collateral securing the loans, and changes in or the existence of credit concentrations. The adjustments are weighted for relevance before applying to each pool of loans. Each quarter, management reviews the recommended adjustment factors and applies any additional adjustments based on local and current conditions.

The Company has elected to exclude \$1.9 million of accrued interest receivable as of December 31, 2023 from the measurement of its ACL. When a loan is placed on non-accrual status, any outstanding accrued interest is reversed against interest income. Accrued interest on loans is reported in the accrued interest receivable and other assets line on the consolidated statements of financial condition.

The ACL for individual loans begins with the use of normal credit review procedures to identify whether a loan no longer shares similar risk characteristics with other pooled loans and, therefore, should be individually assessed. We evaluate all commercial loans that meet the following criteria: (1) when it is determined that foreclosure is probable, (2) substandard, doubtful and nonperforming loans when repayment is expected to be provided substantially through the operation or sale of the collateral, (3) when it is determined by management that a loan does not share similar risk characteristics with other loans. Credit loss estimates are calculated based on the following three acceptable methods for measuring the ACL: 1) the present value of expected future cash flows discounted at the loan’s original effective interest rate; 2) the loan’s observable market price; or 3) the fair value of the collateral when the loan is collateral dependent. Our individual loan evaluations consist primarily of the fair value of collateral method because most of our loans are collateral dependent. Collateral values are discounted to consider disposition costs when appropriate. A charge-off is recorded if the fair value of the loan is less than the loan balance.

## **Allowance for Credit Losses on Unfunded Loan Commitments**

The Company estimates expected credit losses over the contractual period in which the Bank is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Bank. The allowance for credit losses on unfunded loan commitments is included in accrued interest payable and other liabilities in the Company’s Statement of Financial Condition and is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

### **Allowance for Credit Losses on Held to Maturity Securities**

The Company accounts for its held to maturity securities in accordance with Accounting Standards Codification (ASC) 326-20, *Financial Instruments – Credit Loss – Measured at Amortized Cost*, which requires that the Company measure expected credit losses on held to maturity debt securities on a collective basis by major security type. The estimate of expected credit losses considers historical credit loss information that is adjusted for current economic conditions and reasonable and supportable forecasts.

The Company classifies its held to maturity debt securities into the following major security types: mortgage-backed securities, U.S. government agency securities and municipal bonds. Generally, the mortgage-backed securities and U.S. government agency securities are government guaranteed with a history of no credit losses and the municipal bonds are highly rated with a history of no credit losses. Credit ratings of the municipal bonds are reviewed on a quarterly basis. Based on the government guarantee, our historical experience including no credit losses, and the high credit rating of our municipal bonds, the Company determined that an allowance for credit losses on its' held to maturity portfolio is not required.

Accrued interest receivable on held to maturity debt securities totaled \$173 thousand as of December 31, 2023 and is included within accrued interest receivable and other assets on the Company's Consolidated Statement of Financial Condition. This amount is excluded from the estimate of expected credit losses. Generally, held to maturity debt securities are classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When held to maturity debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed against interest income.

### **Allowance for Credit Losses on Available for Sale Securities**

The Company measures expected credit losses on available for sale debt securities when the Bank intends to sell, or when it is not more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the amortized cost basis of the security is written down to fair value through income. For available for sale debt securities that do not meet the previously mentioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this evaluation indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, equal to the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

The ACL on available for sale debt securities is included within securities available for sale on the Consolidated Statements of Financial Condition. Changes in the allowance for credit losses are recorded within provision for credit losses on the Consolidated Statements of Income. Losses are charged against the allowance when the Company believes the collectability of an available for sale security is in jeopardy or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available for sale debt securities totaled \$688 thousand as of December 31, 2023 and is included within accrued interest receivable and other assets on the Company's Consolidated Statement of Financial Condition. This amount is excluded from the estimate of expected credit losses. Generally, available for sale debt securities are classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When available for sale debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed against interest income.

### **Note 3 - Earnings Per Share**

The following table presents a calculation of basic and diluted earnings per share for the three and six months ended December 31, 2023 and 2022. Earnings per share is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding. The difference between common shares issued and basic average common shares outstanding, for purposes of calculating basic earnings per share, is a result of subtracting unallocated ESOP shares and unvested restricted stock shares. There are no convertible securities which would affect the numerator in calculating basic and diluted earnings per share; therefore, the net income of \$11 thousand and \$190 thousand for the three and six months ended December 31, 2023, respectively, and \$1.1 million and \$2.1 million for the three and six months ended December 31, 2022, respectively, were used as the numerators. See Note 11 to these consolidated financial statements for further discussion of stock grants.

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)	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
<b>Basic and diluted earnings per share:</b>				
Net income	\$ 11	\$ 1,061	\$ 190	\$ 2,088
Basic average common shares outstanding	8,845,633	12,985,244	9,723,078	13,210,259
Effect of dilutive securities	64,680	44,892	43,066	31,303
Dilutive average shares outstanding	8,910,313	13,030,136	9,766,144	13,241,562
Earnings per share:				
Basic	\$ —	\$ 0.08	\$ 0.02	\$ 0.16
Diluted	\$ —	\$ 0.08	\$ 0.02	\$ 0.16

Anti-dilutive shares are common stock equivalents with weighted average exercise prices in excess of the weighted average market value for the periods presented. There were 1,197,640 stock options that were anti-dilutive for both the three and six months ended December 31, 2023 and 2022.

#### Note 4 – Changes in and Reclassifications Out of Accumulated Other Comprehensive Loss

The following tables present the changes in the balances of each component of accumulated other comprehensive loss (“AOCL”) for the three and six months ended December 31, 2023 and 2022.

(Dollars in thousands)

Accumulated Other Comprehensive Loss (1)	Unrealized Losses on Securities Available for Sale	
	2023	2022
Balance at June 30,	\$ (23,378)	\$ (15,357)
Other comprehensive loss before reclassifications	(4,587)	(7,750)
Amounts reclassified from accumulated other comprehensive loss	—	—
Period change	(4,587)	(7,750)
Balance at September 30,	\$ (27,965)	\$ (23,107)
Other comprehensive income before reclassifications	7,088	798
Amounts reclassified from accumulated other comprehensive loss	(65)	—
Period change	7,023	798
Balance at December 31,	\$ (20,942)	\$ (22,309)

(1) All amounts are net of tax. Related income tax expense is calculated using an income tax rate approximating 23% for both 2023 and 2022.

The following tables present the reclassifications out of AOCL by component during the three and six months ended December 31, 2023 and 2022:

(Dollars in thousands)

Details about Accumulated Other Comprehensive Loss Components	Amounts Reclassified from Accumulated Other Comprehensive Loss (1)		Affected Line Item in the Consolidated Statements of Income
	Three Months Ended December 31, 2023	2022	
Securities available for sale:			
Net securities gains reclassified into net income	\$ (85)	\$ —	Net gain on sale of securities
Related income tax expense	20	—	Income tax (benefit) expense
	\$ (65)	\$ —	

(1) Amounts in parenthesis indicate debits.

(Dollars in thousands)

Details about Accumulated Other Comprehensive Loss Components	Amounts Reclassified from Accumulated Other Comprehensive Loss (2)		Affected Line Item in the Consolidated Statements of Income
	Six Months Ended December 31, 2023	2022	
Securities available for sale:			
Net securities gains reclassified into net income	\$ (85)	\$ —	Net gain on sale of securities
Related income tax expense	20	—	Income tax (benefit) expense
	<u>\$ (65)</u>	<u>\$ —</u>	

(2) Amounts in parenthesis indicate debits.

## Note 5 – Investment Securities

### Debt Securities

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

(Dollars in thousands)	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
<b>Available For Sale:</b>					
Mortgage-backed securities	\$ 120,420	\$ 99	\$ (15,664)	\$ —	\$ 104,855
U.S. agency collateralized mortgage obligations	9,586	—	(1,705)	—	7,881
U.S. government agency securities	890	—	(81)	—	809
Municipal bonds	20,040	—	(4,814)	—	15,226
Corporate bonds	37,200	—	(5,033)	—	32,167
<b>Total Available For Sale</b>	<u>\$ 188,136</u>	<u>\$ 99</u>	<u>\$ (27,297)</u>	<u>\$ —</u>	<u>\$ 160,938</u>

(Dollars in thousands)	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
<b>Held To Maturity:</b>					
Mortgage-backed securities	\$ 90,904	\$ —	\$ (15,121)	\$ 75,783	\$ —
U.S. government agency securities	5,452	4	(48)	5,408	—
Municipal bonds	48	—	—	48	—
<b>Total Held To Maturity</b>	<u>\$ 96,404</u>	<u>\$ 4</u>	<u>\$ (15,169)</u>	<u>\$ 81,239</u>	<u>\$ —</u>

(Dollars in thousands)	June 30, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Available For Sale:</b>				
Mortgage-backed securities	\$ 124,252	\$ 21	\$ (17,517)	\$ 106,756
U.S. agency collateralized mortgage obligations	10,074	—	(1,782)	8,292
U.S. government agency securities	3,881	140	(89)	3,932
Municipal bonds	20,081	—	(5,102)	14,979
Corporate bonds	37,200	—	(6,032)	31,168
<b>Total Available For Sale</b>	<u>\$ 195,488</u>	<u>\$ 161</u>	<u>\$ (30,522)</u>	<u>\$ 165,127</u>

<b>Held To Maturity:</b>				
Mortgage-backed securities	\$ 94,648	\$ —	\$ (17,275)	\$ 77,373
U.S. government agency securities	4,982	—	(102)	4,880
Municipal bonds	60	—	—	60
<b>Total Held To Maturity</b>	<u>\$ 99,690</u>	<u>\$ —</u>	<u>\$ (17,377)</u>	<u>\$ 82,313</u>

The Company recognized \$85 thousand of gross gains on the sale of \$2.4 million of investment securities during the three and six months ended December 31, 2023. The Company did not sell any investment securities during the three and six months ended December 31, 2022.

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.

(Dollars in thousands)	December 31, 2023			
	Available For Sale		Held To Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ —	\$ —	\$ 5,500	\$ 5,456
Due after one year through five years	8	8	—	—
Due after five years through ten years	41,872	35,944	—	—
Due after ten years	146,256	124,986	90,904	75,783
	<u>\$ 188,136</u>	<u>\$ 160,938</u>	<u>\$ 96,404</u>	<u>\$ 81,239</u>

The following tables provide information on the gross unrealized losses and fair market value of the Company's investments for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2023 and June 30, 2023:

(Dollars in thousands)	December 31, 2023					
	Less than 12 Months		12 Months or More		Total Fair Value	Total Unrealized Losses
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses		
<b>Available For Sale:</b>						
Mortgage-backed securities	\$ —	\$ —	\$ 100,300	\$ (15,664)	\$ 100,300	\$ (15,664)
U.S. agency collateralized mortgage obligations	—	—	7,881	(1,705)	7,881	(1,705)
U.S. government agency securities	—	—	809	(81)	809	(81)
Municipal bonds	—	—	15,226	(4,814)	15,226	(4,814)
Corporate bonds	2,889	(361)	29,278	(4,672)	32,167	(5,033)
	<u>2,889</u>	<u>(361)</u>	<u>153,494</u>	<u>(26,936)</u>	<u>156,383</u>	<u>(27,297)</u>
<b>Held To Maturity:</b>						
Mortgage-backed securities	—	—	75,783	(15,121)	75,783	(15,121)
U.S. government agency securities	—	—	4,447	(48)	4,447	(48)
	<u>—</u>	<u>—</u>	<u>80,230</u>	<u>(15,169)</u>	<u>80,230</u>	<u>(15,169)</u>
<b>Total Temporarily Impaired Securities</b>	<u>\$ 2,889</u>	<u>\$ (361)</u>	<u>\$ 233,724</u>	<u>\$ (42,105)</u>	<u>\$ 236,613</u>	<u>\$ (42,466)</u>

(Dollars in thousands)	June 30, 2023					
	Less than 12 Months		12 Months or More		Total Fair Value	Total Unrealized Losses
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses		
<b>Available For Sale:</b>						
Mortgage-backed securities	\$ 16,794	\$ (967)	\$ 86,371	\$ (16,550)	\$ 103,165	\$ (17,517)
U.S. agency collateralized mortgage obligations	—	—	8,292	(1,782)	8,292	(1,782)
U.S. government agency securities	—	—	943	(89)	943	(89)
Municipal bonds	—	—	14,979	(5,102)	14,979	(5,102)
Corporate bonds	10,715	(1,435)	20,453	(4,597)	31,168	(6,032)
	<u>27,509</u>	<u>(2,402)</u>	<u>131,038</u>	<u>(28,120)</u>	<u>158,547</u>	<u>(30,522)</u>
<b>Held To Maturity:</b>						
Mortgage-backed securities	—	—	77,373	(17,275)	77,373	(17,275)
U.S. government agency securities	4,880	(102)	—	—	4,880	(102)
	<u>4,880</u>	<u>(102)</u>	<u>77,373</u>	<u>(17,275)</u>	<u>82,253</u>	<u>(17,377)</u>
<b>Total Temporarily Impaired Securities</b>	<u>\$ 32,389</u>	<u>\$ (2,504)</u>	<u>\$ 208,411</u>	<u>\$ (45,395)</u>	<u>\$ 240,800</u>	<u>\$ (47,899)</u>

At December 31, 2023, the Company had two securities in the less than 12 months loss position and 123 securities in the 12 month or greater loss position. The unrealized loss on securities 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 the unrealized losses to be credit losses at December 31, 2023 and the Company does not consider these investments to be other-than temporarily impaired at June 30, 2023. There were 126 investment securities that were temporarily impaired at June 30, 2023. The Company did not recognize any credit losses on these securities for the three and six months ended December 31, 2023, or other-than temporary impairment charges for the three and six months ended December 31, 2022.

At December 31, 2023 and June 30, 2023, \$2.9 million and \$2.5 million, respectively, in the carrying value of investment securities were pledged to secure municipal deposits.

### Equity Securities

The Company had one equity security with a fair value of \$1.9 million as of December 31, 2023 and \$1.6 million as of June 30, 2023. During the three and six months ended December 31, 2023, the Company recorded \$148 thousand and \$221 thousand of unrealized gains, respectively, and during the three and six months ended December 31, 2022, the Company recorded \$54 thousand of unrealized gains and \$219 thousand of unrealized losses, respectively, which were recorded in *Unrealized gain (loss) on equity securities* in the Consolidated Statements of Income.

### Note 6 – Loans

Major classifications of loans, net of deferred loan fees (costs) of \$568 thousand and \$653 thousand at December 31, 2023 and June 30, 2023, respectively, are summarized as follows:

(Dollars in thousands)	December 31, 2023		June 30, 2023	
	Amount	Percent	Amount	Percent
<b>Residential real estate:</b>				
1 - 4 family	\$ 129,670	27.54 %	\$ 135,046	28.08 %
Home equity and HELOCs	31,182	6.62	32,684	6.79
Construction -residential	9,899	2.10	9,113	1.90
<b>Commercial real estate:</b>				
1 - 4 family investor	94,336	20.04	98,160	20.41
Multi-family (five or more)	15,106	3.21	15,281	3.18
Commercial non-residential	153,886	32.69	157,555	32.77
Construction and land	19,953	4.24	15,584	3.24
Commercial	14,786	3.14	15,433	3.21
Consumer loans	1,997	0.42	2,000	0.42
<b>Total Loans</b>	<b>470,815</b>	<b>100.00 %</b>	<b>480,856</b>	<b>100.00 %</b>
Allowance for credit losses	(3,601)		(3,313)	
<b>Net Loans</b>	<b>\$ 467,214</b>		<b>\$ 477,543</b>	

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 \$11.8 million and \$12.5 million at December 31, 2023 and June 30, 2023, respectively. The Bank retained the related servicing rights for the loans that were sold and receives a 25 basis point servicing fee from the purchasers of the loans. Custodial escrow balances maintained in connection with the foregoing loan servicing are included in advances from borrowers for taxes and insurance.

Commercial non-residential loans include shared national credits, which are participations in loans or loan commitments of at least \$20.0 million that are shared by three or more banks. As of June 30, 2023, the Company had one shared national credit loan commitment for \$12.5 million with no balance outstanding that was a purchased participation classified as pass rated and all payments were current and the loan was performing in accordance with its contractual terms. This shared national credit loan commitment was closed during the three months ended December 31, 2023. The Company's accounting policies for shared national credits, including our charge off and reserve policy, are consistent with the significant accounting policies disclosed in our financial statements for the Company's total



loan portfolio. Shared national credits are subject to the same underwriting guidelines as loans originated by the Bank and are subject to annual reviews where the risk rating of the loan is evaluated. Additionally, the Bank obtains quarterly financial information and performs a financial analysis on a regular basis to ensure that the borrower can comply with the financial terms of the loan. The information used in the analysis is provided by the borrower through the agent bank.

**Allowance for Credit Losses.** As previously discussed in the “Recent Accounting Pronouncements” section of Note 2 “Summary of Significant Accounting Policies,” the Company adopted the provisions of ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*. ASU 2016-13 requires estimated credit losses on loans to be determined based on an expected life of loan model, as compared to an incurred loss model (in effect for periods prior to July 1, 2023). Accordingly, the allowance for losses disclosures subsequent to July 1, 2023 are not always comparable to prior dates. In addition, certain new disclosures required under ASU 2016-13 are not applicable to prior periods. As a result, the following tables present disclosures separately for each period, where appropriate. New disclosures required under ASU 2016-13 are only shown for the current period. Please refer to Note 2 “Summary of Significant Accounting Policies” for a summary of the impact of adopting the provisions of ASU 2016-13 on July 1, 2023.

The following tables set forth the allocation of the Bank’s allowance for credit losses by loan category at the dates indicated. The portion of the credit 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 credit 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 following table presents, by loan portfolio segment, the changes in the allowance for credit losses for the three months ended December 31, 2023:

December 31, 2023	Residential real estate:			Commercial real estate:				Commercial	Consumer	Total
	1 - 4 family	Home Equity and HELOCs	Construction-residential	1 - 4 family investor	Multi-family (five or more)	Commercial non-residential	Construction and Land			
<i>(Dollar amounts in thousands)</i>										
<b>Allowance for credit losses:</b>										
Beginning balance	\$ 407	\$ 131	\$ 39	\$ 325	\$ 53	\$ 1,767	\$ 233	\$ 340	\$ 292	\$ 3,587
Charge-offs	—	—	—	—	—	—	—	—	(13)	(13)
Recoveries	—	—	—	—	—	—	—	—	2	2
Provision (recovery)	(4)	84	5	(8)	(1)	(13)	7	(18)	(27)	25
Ending Balance	\$ 403	\$ 215	\$ 44	\$ 317	\$ 52	\$ 1,754	\$ 240	\$ 322	\$ 254	\$ 3,601

The following table presents, by loan portfolio segment, the changes in the allowance for loan losses for the three months ended December 31, 2022:

December 31, 2022	Residential real estate:			Commercial real estate:				Commercial	Consumer	Total
	1-4 family	Home Equity and HELOCs	Construction-residential	1 - 4 family investor	Multi-family (five or more)	Commercial non-residential	Construction and Land			
<i>(Dollar amounts in thousands)</i>										
<b>Allowance for loan losses:</b>										
Beginning balance	\$ 493	\$ 116	\$ 301	\$ 495	\$ 112	\$ 1,431	\$ 224	\$ 111	\$ 50	\$ 3,333
Charge-offs	—	—	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—	1	1
Provision (recovery)	21	(7)	(29)	13	(20)	(22)	25	12	7	—
Ending Balance	\$ 514	\$ 109	\$ 272	\$ 508	\$ 92	\$ 1,409	\$ 249	\$ 123	\$ 58	\$ 3,334

The following table presents, by loan portfolio segment, the changes in the allowance for credit losses for the six months ended December 31, 2023:

December 31, 2023	Residential real estate:			Commercial real estate:				Commercial	Consumer	Total
	1 - 4 family	Home Equity and HELOCs	Construction-residential	1 - 4 family investor	Multi-family (five or more)	Commercial non-residential	Construction and Land			
<i>(Dollar amounts in thousands)</i>										
<b>Allowance for credit losses:</b>										
Beginning balance	\$ 486	\$ 113	\$ 214	\$ 569	\$ 89	\$ 1,420	\$ 281	\$ 82	\$ 59	\$ 3,313
Impact of adopting ASU 2016-13	(67)	19	(174)	(241)	(30)	379	(93)	254	196	243
Charge-offs	—	—	—	—	—	—	—	—	(13)	(13)
Recoveries	—	—	—	—	—	—	—	—	28	28
Provision (recovery)	(16)	83	4	(11)	(7)	(45)	52	(14)	(16)	30
Ending Balance	\$ 403	\$ 215	\$ 44	\$ 317	\$ 52	\$ 1,754	\$ 240	\$ 322	\$ 254	\$ 3,601

The following table presents, by loan portfolio segment, the changes in the allowance for loan losses for the six months ended December 31, 2022:

December 31, 2022 <i>(Dollar amounts in thousands)</i>	Residential real estate:			Commercial real estate:				Commercial	Consumer	Total
	Home Equity		Construction- residential	1 - 4 family investor	Multi-family (five or more)	Commercial non-residential	Construction and Land			
	1-4 family	and HELOCs								
<b>Allowance for credit losses:</b>										
Beginning balance	\$ 506	\$ 113	\$ 386	\$ 527	\$ 110	\$ 1,451	\$ 166	\$ 100	\$ 50	\$ 3,409
Charge-offs	(79)	—	—	—	—	—	—	—	—	(79)
Recoveries	—	—	—	—	—	—	—	—	4	4
Provision (recovery)	87	(4)	(114)	(19)	(18)	(42)	83	23	4	—
Ending Balance	<u>\$ 514</u>	<u>\$ 109</u>	<u>\$ 272</u>	<u>\$ 508</u>	<u>\$ 92</u>	<u>\$ 1,409</u>	<u>\$ 249</u>	<u>\$ 123</u>	<u>\$ 58</u>	<u>\$ 3,334</u>

During the three and six months ended December 31, 2023, and exclusive of the impact of the adoption of ASU 2016-13, the changes in the provision for credit losses for each portfolio of loans were primarily due to fluctuations in the outstanding balance of each portfolio of loans collectively evaluated for impairment. During the three months ended December 31, 2023, we experienced an increase in delinquent home equity loans and home equity lines of credit and a corresponding increase in the provision for credit losses for this portfolio. The overall increase in the allowance during the six months ended December 31, 2023 can be primarily attributed to the previously mentioned increase in delinquent home equity loans and home equity lines of credit, partially offset by a decrease in the outstanding balance of our total loan portfolio.

During the three and six months ended December 31, 2022, the changes in the provision for loan losses for each portfolio of loans were primarily due to fluctuations in the outstanding balance of each portfolio of loans collectively evaluated for impairment. Specifically, we experienced significant growth in our commercial construction and land portfolio and a corresponding increase in the provision for loan losses for this portfolio. The overall decrease in the allowance during the six months ended December 31, 2022 can be primarily attributed to an improving asset quality and continued low levels of net charge-offs and non-performing assets.

Under the provisions of ASU 2016-13, loan evaluated individually for impairment consist of non-accrual loans. Under the incurred loss model in effect prior to the adoption of ASU 2016-13, loans evaluated individually for impairment were referred to as impaired loans.

The following table presents the allowance for credit losses and recorded investment by loan portfolio classification at December 31, 2023:

December 31, 2023 <i>(Dollar amounts in thousands)</i>	Residential real estate:			Commercial real estate:				Commercial	Consumer	Total
	Home Equity		Construction- residential	1 - 4 family investor	Multi-family (five or more)	Commercial non-residential	Construction and land			
	1 - 4 family	and HELOCs								
<b>Allowance ending balance:</b>										
Individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Collectively evaluated for impairment	403	215	44	317	52	1,754	240	322	254	3,601
<b>Total allowance</b>	<u>\$ 403</u>	<u>\$ 215</u>	<u>\$ 44</u>	<u>\$ 317</u>	<u>\$ 52</u>	<u>\$ 1,754</u>	<u>\$ 240</u>	<u>\$ 322</u>	<u>\$ 254</u>	<u>\$ 3,601</u>
<b>Loans receivable ending balance:</b>										
Individually evaluated for impairment	\$ 1,480	\$ 16	\$ —	\$ 102	\$ 223	\$ 1,085	\$ —	\$ —	\$ 111	\$ 3,017
Collectively evaluated for impairment	128,190	31,166	9,899	94,234	14,883	152,801	19,953	14,786	1,886	467,798
<b>Total portfolio</b>	<u>\$ 129,670</u>	<u>\$ 31,182</u>	<u>\$ 9,899</u>	<u>\$ 94,336</u>	<u>\$ 15,106</u>	<u>\$ 153,886</u>	<u>\$ 19,953</u>	<u>\$ 14,786</u>	<u>\$ 1,997</u>	<u>\$ 470,815</u>

The following table presents the allowance for loan losses and recorded investment by loan portfolio classification at June 30, 2023:

June 30, 2023  (Dollar amounts in thousands)	Residential real estate:			Commercial real estate:				Commercial	Consumer	Total
	Home Equity		Construction- residential	1 - 4 family investor	Multi-family (five or more)	Commercial non-residential	Construction and land			
	1 - 4 family	and HELOCs								
<b>Allowance ending balance:</b>										
Individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Collectively evaluated for impairment	486	113	214	569	89	1,420	281	82	59	3,313
<b>Total allowance</b>	<b>\$ 486</b>	<b>\$ 113</b>	<b>\$ 214</b>	<b>\$ 569</b>	<b>\$ 89</b>	<b>\$ 1,420</b>	<b>\$ 281</b>	<b>\$ 82</b>	<b>\$ 59</b>	<b>\$ 3,313</b>
<b>Loans receivable ending balance:</b>										
Individually evaluated for impairment	\$ 1,209	\$ 182	\$ —	\$ 832	\$ 251	\$ 778	\$ —	\$ —	\$ —	\$ 3,252
Collectively evaluated for impairment	78,237	19,689	9,113	84,891	14,781	142,098	15,584	14,976	643	380,012
Acquired non-credit impaired loans <sup>(1)</sup>	55,528	12,813	—	12,437	249	14,679	—	457	1,357	97,520
Acquired credit impaired loans <sup>(2)</sup>	72	—	—	—	—	—	—	—	—	72
<b>Total portfolio</b>	<b>\$ 135,046</b>	<b>\$ 32,684</b>	<b>\$ 9,113</b>	<b>\$ 98,160</b>	<b>\$ 15,281</b>	<b>\$ 157,555</b>	<b>\$ 15,584</b>	<b>\$ 15,433</b>	<b>\$ 2,000</b>	<b>\$ 480,856</b>

- (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.

### Credit Quality Information

The following tables represent credit exposures by internally assigned grades as of December 31, 2023 and June 30, 2023 that management uses to monitor the credit quality of the overall loan portfolio. The grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. All loans greater than 90 days past due are considered Substandard. 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 Bank has a structured loan rating process with several layers of internal and external oversight to help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed. Generally, consumer and residential mortgage loans are included in the Pass category unless a specific action, such as nonperformance, repossession, or death occurs to raise awareness of a possible credit event. The Company's Credit Department is responsible for the timely and accurate risk rating of the loans on an ongoing basis. Every credit which must be approved by Loan Committee or the Board of Directors is assigned a risk rating at time of consideration. The Credit Department also annually reviews commercial relationships of \$500,000 or greater to assign or re-affirm risk ratings.

The following tables set forth the amounts of the portfolio of classified asset categories for the commercial loan portfolios at December 31, 2023 and June 30, 2023:

	December 31, 2023						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	Term Loans Amortized Cost Basis by Origination Fiscal Year								
	2024	2023	2022	2021	2020	Prior			
<b>1 - 4 family investor</b>									
Pass	\$ 2,386	\$ 12,103	\$ 6,752	\$ 17,021	\$ 12,116	\$ 40,132	\$ 1,940	\$ 714	\$ 93,164
Special Mention	—	—	—	—	—	1,070	—	—	1,070
Substandard	—	—	—	—	—	102	—	—	102
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
<b>Total 1 - 4 family investor</b>	<b>\$ 2,386</b>	<b>\$ 12,103</b>	<b>\$ 6,752</b>	<b>\$ 17,021</b>	<b>\$ 12,116</b>	<b>\$ 41,304</b>	<b>\$ 1,940</b>	<b>\$ 714</b>	<b>\$ 94,336</b>
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Multi-family (five or more)</b>									
Pass	\$ 101	\$ 1,174	\$ 1,334	\$ 4,143	\$ 5,015	\$ 3,116	\$ —	\$ —	\$ 14,883
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	223	—	—	223
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
<b>Total Multi-family</b>	<b>\$ 101</b>	<b>\$ 1,174</b>	<b>\$ 1,334</b>	<b>\$ 4,143</b>	<b>\$ 5,015</b>	<b>\$ 3,339</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 15,106</b>
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Commercial non-residential</b>									
Pass	\$ 1,015	\$ 21,957	\$ 62,131	\$ 30,390	\$ 16,273	\$ 20,942	\$ —	\$ 93	\$ 152,801
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	319	473	293	—	—	1,085
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
<b>Total Commercial non-residential</b>	<b>\$ 1,015</b>	<b>\$ 21,957</b>	<b>\$ 62,131</b>	<b>\$ 30,709</b>	<b>\$ 16,746</b>	<b>\$ 21,235</b>	<b>\$ —</b>	<b>\$ 93</b>	<b>\$ 153,886</b>
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Construction and land</b>									
Pass	\$ 813	\$ 5,377	\$ 10,501	\$ —	\$ 1,164	\$ 2,098	\$ —	\$ —	\$ 19,953
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
<b>Total Construction and land</b>	<b>\$ 813</b>	<b>\$ 5,377</b>	<b>\$ 10,501</b>	<b>\$ —</b>	<b>\$ 1,164</b>	<b>\$ 2,098</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 19,953</b>
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Commercial</b>									
Pass	\$ —	\$ 7,732	\$ 6,441	\$ —	\$ 42	\$ 571	\$ —	\$ —	\$ 14,786
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
<b>Total Commercial</b>	<b>\$ —</b>	<b>\$ 7,732</b>	<b>\$ 6,441</b>	<b>\$ —</b>	<b>\$ 42</b>	<b>\$ 571</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 14,786</b>
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Information presented in the table above is not required for periods prior to the adoption of ASU 2016-13. The following table presents more comparable information from the prior period, including internal credit risk ratings by loan class segments.

June 30, 2023						
Commercial Real Estate						
	1 - 4 family investor	Multi-family	Non-residential	Construction and land	Commercial	Total
Pass	\$ 96,097	\$ 15,030	\$ 156,777	\$ 15,584	\$ 15,433	\$ 298,921
Special Mention	1,231	—	—	—	—	1,231
Substandard	832	251	778	—	—	1,861
Doubtful	—	—	—	—	—	—
Loss	—	—	—	—	—	—
Ending Balance	<u>\$ 98,160</u>	<u>\$ 15,281</u>	<u>\$ 157,555</u>	<u>\$ 15,584</u>	<u>\$ 15,433</u>	<u>\$ 302,013</u>

The Company monitors the credit risk profile by payment activity for residential and consumer loans. Generally, residential and consumer loans on nonaccrual status and 90 or more days past due and accruing are considered non-performing and are reviewed monthly. The following tables set forth the amounts of the portfolio that are not rated by class of loans for the residential and consumer loan portfolios at December 31, 2023 and June 30, 2023:

December 31, 2023									
	Term Loans Amortized Cost Basis by Origination Fiscal Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	2020	Prior			
<b>1 - 4 family residential</b>									
Performing	\$ 6,302	\$ 7,939	\$ 13,680	\$ 15,611	\$ 8,629	\$ 76,029	\$ —	\$ —	\$ 128,190
Non-performing	—	—	—	—	—	1,480	—	—	1,480
<b>Total 1 - 4 family residential</b>	<u>\$ 6,302</u>	<u>\$ 7,939</u>	<u>\$ 13,680</u>	<u>\$ 15,611</u>	<u>\$ 8,629</u>	<u>\$ 77,509</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 129,670</u>
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Home equity &amp; HELOCs</b>									
Performing	\$ 822	\$ 2,289	\$ 503	\$ 947	\$ 723	\$ 5,262	\$ 19,000	\$ 1,620	\$ 31,166
Non-performing	—	—	—	—	—	—	16	—	16
<b>Total Home equity &amp; HELOCs</b>	<u>\$ 822</u>	<u>\$ 2,289</u>	<u>\$ 503</u>	<u>\$ 947</u>	<u>\$ 723</u>	<u>\$ 5,262</u>	<u>\$ 19,016</u>	<u>\$ 1,620</u>	<u>\$ 31,182</u>
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Construction residential</b>									
Performing	\$ 2,465	\$ 5,204	\$ 689	\$ 1,541	\$ —	\$ —	\$ —	\$ —	\$ 9,899
Non-performing	—	—	—	—	—	—	—	—	—
<b>Total construction residential</b>	<u>\$ 2,465</u>	<u>\$ 5,204</u>	<u>\$ 689</u>	<u>\$ 1,541</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,899</u>
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Consumer</b>									
Performing	\$ 138	\$ 116	\$ 40	\$ —	\$ 5	\$ 1,587	\$ —	\$ —	\$ 1,886
Non-performing	—	—	—	—	—	111	—	—	111
<b>Total Consumer</b>	<u>\$ 138</u>	<u>\$ 116</u>	<u>\$ 40</u>	<u>\$ —</u>	<u>\$ 5</u>	<u>\$ 1,698</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,997</u>
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	13	\$ —	\$ —	\$ 13

Information presented in the table above is not required for periods prior to the adoption of ASU 2016-13.

The following table presents more comparable information from the prior period, including a disclosure of performing and non-performing loans by loan class segments.

June 30, 2023					
Residential Real Estate					
	1 - 4 family	Home equity & HELOCs	Construction	Consumer	Total
Performing	\$ 132,956	\$ 32,684	\$ 9,113	\$ 1,918	\$ 176,671
Non-performing	2,090	—	—	82	2,172
	<u>\$ 135,046</u>	<u>\$ 32,684</u>	<u>\$ 9,113</u>	<u>\$ 2,000</u>	<u>\$ 178,843</u>

### Loan Delinquencies and Non-accrual Loans

Management further monitors the performance and credit quality of the loan portfolio by analyzing the length of time a recorded payment is past due. The following are tables which include an aging analysis of the recorded investment of past due loans as of December 31, 2023 and June 30, 2023. All non-accrual loans included in the tables below do not have an associated allowance for credit losses because any impairment is charged-off at the time the loan moves to non-accrual status. As of December 31, 2023, \$2.9 million of the non-accrual loans included in the table below are secured by real estate and \$111 thousand are unsecured.

Aged Analysis of Past Due and Non-accrual Loans As of December 31, 2023									
(Dollar amounts in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days Or Greater	Total Past Due	Current	Total Loans Receivable	Recorded Investment >90 Days and Accruing	Recorded Investment Loans on Non-Accrual	
Residential real estate:									
1 - 4 family	\$ 285	\$ 591	\$ 193	\$ 1,069	\$ 128,601	\$ 129,670	\$ —	\$ 1,480	
Home equity and HELOCs	646	—	16	662	30,520	31,182	—	16	
Construction - residential	—	—	—	—	9,899	9,899	—	—	
Commercial real estate:									
1 - 4 family investor	31	949	38	1,018	93,318	94,336	—	102	
Multi-family	—	—	—	—	15,106	15,106	—	223	
Commercial non-residential	—	18	1,067	1,085	152,801	153,886	—	1,085	
Construction and land	—	—	—	—	19,953	19,953	—	—	
Commercial	—	—	—	—	14,786	14,786	—	—	
Consumer	—	13	—	13	1,984	1,997	—	111	
Total	<u>\$ 962</u>	<u>\$ 1,571</u>	<u>\$ 1,314</u>	<u>\$ 3,847</u>	<u>\$ 466,968</u>	<u>\$ 470,815</u>	<u>\$ —</u>	<u>\$ 3,017</u>	

Aged Analysis of Past Due and Non-accrual Loans As of June 30, 2023									
(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	\$ 290	\$ 457	\$ 567	\$ 1,314	\$ 72	\$ 133,660	\$ 135,046	\$ —	\$ 2,090
Home equity and HELOCs	—	—	—	—	—	32,684	32,684	—	—
Construction - residential	—	—	—	—	—	9,113	9,113	—	—
Commercial real estate:									
1 - 4 family investor	—	752	—	752	—	97,408	98,160	—	832
Multi-family	251	—	—	251	—	15,030	15,281	—	251
Commercial non-residential	—	322	778	1,100	—	156,455	157,555	—	778
Construction and land	—	—	—	—	—	15,584	15,584	—	—
Commercial	—	—	—	—	—	15,433	15,433	—	—
Consumer	—	13	—	13	—	1,987	2,000	—	82
Total	<u>\$ 541</u>	<u>\$ 1,544</u>	<u>\$ 1,345</u>	<u>\$ 3,430</u>	<u>\$ 72</u>	<u>\$ 477,354</u>	<u>\$ 480,856</u>	<u>\$ —</u>	<u>\$ 4,033</u>

Interest income on non-accrual loans that would have been recorded if these loans had performed in accordance with their terms was approximately \$54 thousand, \$106 thousand, \$56 thousand, and \$111 thousand during the three and six months ended December 31, 2023 and 2022, respectively.

### Impaired Loans – Prior to the Adoption of ASU 2016-13

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, at June 30, 2023.

June 30, 2023			
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance
<b>With no related allowance recorded:</b>			
1-4 family residential real estate	\$ 1,209	\$ 1,302	\$ —
Home equity and HELOCs	182	182	—
Construction residential	—	—	—
1 - 4 family investor commercial real estate	832	850	—
Multi-family	251	283	—
Commercial non-residential	778	783	—
Construction and land	—	—	—
Commercial	—	—	—
Consumer	—	—	—
<b>With an allowance recorded:</b>			
1-4 family residential real estate	\$ —	\$ —	\$ —
Home equity and HELOCs	—	—	—
Construction residential	—	—	—
1 - 4 family investor commercial real estate	—	—	—
Multi-family	—	—	—
Commercial non-residential	—	—	—
Construction and land	—	—	—
Commercial	—	—	—
Consumer	—	—	—
<b>Total:</b>			
1-4 family residential real estate	\$ 1,209	\$ 1,302	\$ —
Home equity and HELOCs	182	182	—
Construction residential	—	—	—
1 - 4 family investor commercial real estate	832	850	—
Multi-family	251	283	—
Commercial non-residential	778	783	—
Construction and land	—	—	—
Commercial	—	—	—
Consumer	—	—	—

The impaired loans table above includes accruing loans with terms that have been modified to borrowers experiencing financial difficulty in the amount of \$182 thousand that are performing in accordance with their modified terms. The Company recognized \$9 thousand and \$19 thousand of interest income on accruing loans with terms that have been modified to borrowers experiencing financial difficulty during the three and six months ended December 31, 2022, respectively. The table above does not include \$72 thousand of loans acquired with deteriorated credit quality, which have been recorded at their fair value at acquisition.

The following tables include the average recorded investment balances for impaired loans and the interest income recognized for the three and six months ended December 31, 2022.

	December 31, 2022		Three Months Ended		Six Months Ended	
		Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	
(Dollars in thousands)						
With no related allowance recorded:						
1-4 family residential real estate	\$	1,599	\$	—	\$	2,099
Home equity and HELOCs		320		4		353
Construction residential		—		—		—
1-4 family investor commercial real estate		99		—		111
Multi-family		283		—		286
Commercial non-residential		1,035		7		1,149
Construction and land		—		—		—
Commercial		—		—		—
Consumer		—		—		—
With an allowance recorded:						
1-4 family residential real estate	\$	—	\$	—	\$	—
Home equity and HELOCs		—		—		—
Construction residential		—		—		—
1-4 family investor commercial real estate		—		—		—
Multi-family		—		—		—
Commercial non-residential		—		—		—
Construction and land		—		—		—
Commercial		—		—		—
Consumer		—		—		—
Total:						
1-4 family residential real estate	\$	1,599	\$	—	\$	2,099
Home equity and HELOCs		320		4		353
Construction residential		—		—		—
1-4 family investor commercial real estate		99		—		111
Multi-family		283		—		286
Commercial non-residential		1,035		7		1,149
Construction and land		—		—		—
Commercial		—		—		—
Consumer		—		—		—

Generally, the Bank charges-off the collateral or discounted cash flow deficiency on all impaired loans. Interest income that would have been recorded for the three and six months ended December 31, 2022, had impaired loans been current according to their original terms, amounted to \$29 thousand and \$76 thousand, respectively.

### Concentration of Credit Risk

The Company's primary business activity as of December 31, 2023 was with customers throughout the Delaware Valley through twelve full-service branch offices located in Bucks and Philadelphia Counties in Pennsylvania, as well as Burlington, Camden, and Mercer Counties in New Jersey. Accordingly, the Company has extended credit primarily to residential borrowers and commercial entities in this area whose ability to repay their loans is influenced by the region's economy.

As of December 31, 2023, the Company considered its concentration of credit risk to be acceptable. As of December 31, 2023, commercial real estate loans secured by retail space totaled approximately \$52.7 million, or 11.2% of total loans, and were comprised of \$41.4 million of non-owner-occupied properties and \$11.3 million of owner-occupied properties. The Company's non-owner occupied commercial real estate loans that are secured by retail space have high occupancy rates with longstanding tenants.



## Loans with Modified Terms to Borrowers Experiencing Financial Difficulty

During the three and six months ended December 31, 2023, there were no loans modified to borrowers experiencing financial difficulty. During the three and six months ended December 31, 2022, there were no loans modified that were identified as a troubled debt restructuring (“TDR”) and there were no TDRs that subsequently defaulted within twelve months of modification.

## Note 7 – Premises and Equipment

The components of premises and equipment are as follows as of December 31, 2023 and June 30, 2023:

(Dollars in thousands)	December 31, 2023	June 30, 2023
Land	\$ 1,441	\$ 1,778
Office buildings and improvements	7,894	9,080
Furniture, fixtures and equipment	2,298	2,273
Automobiles	58	58
	<u>11,691</u>	<u>13,189</u>
Accumulated depreciation	<u>(4,170)</u>	<u>(4,135)</u>
	<u>\$ 7,521</u>	<u>\$ 9,054</u>

Depreciation expense amounted to \$203 thousand and \$400 thousand for the three and six months ended December 31, 2023, respectively, and \$319 thousand and \$584 thousand for the three and six months ended December 31, 2022, respectively. During the six months ended December 31, 2023, the Company transferred one property with a carrying value of \$1.2 million to the held for sale classification. The Company intends to sell this property by December 31, 2024.

## Note 8 – 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 2018 acquisition of Audubon Savings Bank. The Company also recorded core deposit intangibles totaling \$65 thousand and \$197 thousand in connection with the 2020 acquisitions of Fidelity Savings and Loan Association of Bucks County (“Fidelity”) and Washington Savings Bank (“Washington”), respectively. As of December 31, 2023 and June 30, 2023, the other intangibles consisted of \$437 thousand and \$519 thousand, respectively, 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, 2023, management included considerations of the current economic environment in its evaluation, and determined that it is not more likely than not that the carrying value of goodwill is impaired. No goodwill impairment existed at June 30, 2023. During the six months ended December 31, 2023, management considered the current economic environment in its evaluation, and determined based on the totality of its qualitative assessment that it is not more likely than not that the carrying value of goodwill is impaired. No goodwill impairment existed during the six months ended December 31, 2023.

Goodwill and other intangibles are summarized as follows for the periods presented:

(Dollars in thousands)	Goodwill	Core Deposit Intangibles
Balance, June 30, 2023	\$ 4,858	\$ 519
Adjustments:		
Additions	—	—
Amortization	—	(41)
Balance, September 30, 2023	\$ 4,858	\$ 478
Adjustments:		
Additions	—	—
Amortization	—	(41)
Balance, December 31, 2023	<u>\$ 4,858</u>	<u>\$ 437</u>

(Dollars in thousands)	Goodwill	Core Deposit Intangibles
Balance, June 30, 2022	\$ 4,858	\$ 712
Adjustments:		
Additions	—	—
Amortization	—	(48)
Balance, September 30, 2022	\$ 4,858	\$ 664
Adjustments:		
Additions	—	—
Amortization	—	(49)
Balance, December 31, 2022	<u>\$ 4,858</u>	<u>\$ 615</u>

Aggregate amortization expense was \$41 thousand and \$82 thousand for the three and six months ended December 31, 2023, respectively, and \$49 thousand and \$97 thousand for the three and six months ended December 31, 2022, respectively.

### Note 9 – Deposits

Deposits consist of the following major classifications as of December 31, 2023 and June 30, 2023:

(Dollars in thousands)	December 31, 2023	June 30, 2023
Non-interest bearing checking	\$ 58,225	\$ 60,872
Interest bearing checking	133,680	116,700
Money market accounts	192,326	208,020
Savings and club accounts	84,798	90,291
Certificates of deposit	157,634	159,377
	<u>\$ 626,663</u>	<u>\$ 635,260</u>

### Note 10 – Borrowings

The Bank is a member of the Federal Home Loan Bank (“FHLB”) system, which consists of 11 regional Federal Home Loan Banks. The FHLB provides a central credit facility primarily for member institutions. The Bank had a maximum borrowing capacity with the FHLB of Pittsburgh of approximately \$284.1 million and \$295.0 million at December 31, 2023 and June 30, 2023, respectively. FHLB advances are secured by qualifying assets of the Bank, which include Federal Home Loan Bank stock and loans. The Bank had \$411.4 million and \$427.2 million of loans pledged as collateral as of December 31, 2023 and June 30, 2023, respectively. The Bank, as a member of the FHLB of Pittsburgh, is required to acquire and hold shares of capital stock in the FHLB of Pittsburgh. The Bank was in compliance with the requirements for the FHLB of Pittsburgh with an investment of \$3.0 million and \$2.3 million at December 31, 2023 and June 30, 2023, respectively.

Advances from the FHLB of Pittsburgh consisted of \$54.0 million and \$34.0 million of fixed rate short-term borrowings as of December 31, 2023 and June 30, 2023, respectively.

As of December 31, 2023 and June 30, 2023, the Bank had \$10.0 million and \$10.2 million of loans pledged as collateral to secure a \$3.5 million and \$3.7 million overnight line of credit with the Federal Reserve Bank, respectively. There was no outstanding balance for the overnight line of credit with the Federal Reserve Bank as of December 31, 2023 and June 30, 2023. In addition, as of December 31, 2023 and June 30, 2023, the Bank had \$10.0 million of available credit from Atlantic Community Bankers Bank to purchase federal funds.

### Note 11 – Stock Based Compensation

Stock-based compensation is accounted for in accordance with FASB ASC Topic 718 for Compensation — Stock Compensation. The Company establishes fair value for its equity awards to determine their cost. The Company recognizes the related expense for employees over the appropriate vesting period, or when applicable, service period, using the straight-line method. However, consistent with the guidance, the amount of stock-based compensation recognized at any date must at least equal the portion of the grant date value of the award that is vested at that date. As a result, it may be necessary to recognize the expense using a ratable method.

On May 10, 2022, the shareholders of the Company approved the William Penn Bancorporation 2022 Equity Incentive Plan (the "Plan"). The Plan provides for the issuance of up to 1,769,604 shares (505,601 restricted stock awards and 1,264,003 stock options) of Company common stock.

During the year ended June 30, 2022, the Company granted 492,960 shares of restricted stock, with a weighted average grant date fair value of \$11.67 per share. To fund the grant of restricted common stock, the Company issued shares from authorized but unissued shares. Restricted shares granted under the Plan vest in equal installments over a five year period. Compensation expense related to the restricted shares is recognized ratably over the vesting period in an amount which totals the market price of the Company's stock at the grant date. The expense recognized for the restricted shares for the three and six months ended December 31, 2023 was \$281 thousand and \$563 thousand, respectively, and \$269 thousand and \$558 thousand for the three and six months ended December 31, 2022, respectively. The expected future compensation expense related to the 383,258 non-vested restricted shares outstanding at December 31, 2023 was \$3.8 million over a weighted average period of 3.37 years. The expected future compensation expense related to the 479,056 non-vested restricted shares outstanding at December 31, 2022 was \$4.9 million over a weighted average period of 4.37 years.

The following is a summary of the Company's restricted stock activity during the six months ended December 31, 2023:

<b>Summary of Non-vested Restricted Stock Award Activity</b>	<b>Number of Shares</b>	<b>Weighted Average Grant Price</b>
Non-vested Restricted Stock Awards outstanding July 1, 2023	383,258	\$ 11.66
Issued	—	—
Vested	—	—
Forfeited	—	—
Non-vested Restricted Stock Awards outstanding December 31, 2023	<u>383,258</u>	<u>\$ 11.66</u>

The following is a summary of the Company's restricted stock activity during the six months ended December 31, 2022:

<b>Summary of Non-vested Restricted Stock Award Activity</b>	<b>Number of Shares</b>	<b>Weighted Average Grant Price</b>
Non-vested Restricted Stock Awards outstanding July 1, 2022	492,960	\$ 11.67
Issued	—	—
Vested	—	—
Forfeited	(13,904)	11.82
Non-vested Restricted Stock Awards outstanding December 31, 2022	<u>479,056</u>	<u>\$ 11.66</u>

During the year ended June 30, 2022, the Company granted 1,232,400 stock options, with a weighted average grant date fair value of \$3.24 per share. Stock options granted under the Plan vest in equal installments over a five year period. Stock options were granted at a weighted average exercise price of \$11.67, which represents the fair value of the Company's common stock price on the grant date based on the closing market price, and have an expiration period of 10 years. The fair value of stock options granted was valued using the Black-Scholes option pricing model using the following weighted average assumptions: expected life of 6.5 years, risk-free rate of return of 2.92%, volatility of 24.85%, and a dividend yield of 1.03%. Compensation expense recognized for the stock options for the three and six months ended December 31, 2023 was \$195 thousand and \$390 thousand, respectively. Compensation expense recognized for the stock options for the three and six months ended December 31, 2022 was \$186 thousand and \$387 thousand, respectively. The expected future compensation expense related to the 1,197,640 stock options outstanding at December 31, 2023 was \$2.6 million over a weighted average period of 3.37 years. The expected future compensation expense related to the 1,197,640 stock options outstanding at December 31, 2022 was \$3.4 million over a weighted average period of 4.37 years.

The following is a summary of the Company's stock option activity during the six months ended December 31, 2023:

<b>Summary of Stock Option Activity</b>	<b>Number of Options</b>	<b>Exercise Price per Shares</b>
Beginning balance July 1, 2023	1,197,640	\$ 11.66
Granted	—	—
Exercised	—	—
Forfeited	—	—
Expired	—	—
Ending balance December 31, 2023	<u>1,197,640</u>	\$ 11.66

The following is a summary of the Company's stock option activity during the six months ended December 31, 2022:

<b>Summary of Stock Option Activity</b>	<b>Number of Options</b>	<b>Weighted Exercise Price per Shares</b>
Beginning balance July 1, 2022	1,232,400	\$ 11.67
Granted	—	—
Exercised	—	—
Forfeited	(34,760)	11.82
Expired	—	—
Ending balance December 31, 2022	<u>1,197,640</u>	\$ 11.66

The weighted average remaining contractual term was approximately 8.38 years and the aggregate intrinsic value was \$653 thousand for options outstanding as of December 31, 2023. As of December 31, 2023, exercisable options totaled 239,528 with a weighted average exercise of price of \$11.66 per share, a weighted average remaining contractual term of approximately 8.38 years, and the aggregate intrinsic value was \$131 thousand. The weighted average remaining contractual term was approximately 9.38 years and the aggregate intrinsic value was \$545 thousand for options outstanding as of December 31, 2022. There were no exercisable options as of December 31, 2022.

## Note 12 – Commitments and Contingencies

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 Statements of Financial Condition.

A summary of the Company's loan commitments is as follows as of December 31, 2023 and June 30, 2023:

<b>(Dollars in thousands)</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Commitments to extend credit	\$ 5,091	\$ 6,877
Unfunded commitments under lines of credit	66,142	75,372
Standby letters of credit	117	86

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 13 - 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.

As of December 31, 2023 and June 30, 2023, the most recent notification from the regulators categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action.

Federal banking agencies have established 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. 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.

As of December 31, 2023 (Dollars in thousands except for ratios)	Actual		CBLR Framework Requirement	
	Amount	Ratio	Amount	Ratio
<b>William Penn Bank:</b>				
Tier 1 leverage	\$ 134,850	16.01%	\$ 75,794	9.00%

  

As of June 30, 2023 (Dollars in thousands except for ratios)	Actual		CBLR Framework Requirement	
	Amount	Ratio	Amount	Ratio
<b>William Penn Bank:</b>				
Tier 1 leverage	\$ 161,774	18.67%	\$ 77,989	9.00%

### Note 14 – 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 December 31, 2023 and June 30, 2023, 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.

(Dollars in thousands)	December 31, 2023			
	Level I	Level II	Level III	Total
<b>Assets:</b>				
Investments available for sale:				
Mortgage-backed securities	\$ —	\$ 104,855	\$ —	\$ 104,855
U.S. agency collateralized mortgage obligations	—	7,881	—	7,881
U.S. government agency securities	—	809	—	809
Municipal bonds	—	15,226	—	15,226
Corporate bonds	—	32,167	—	32,167
Equity securities	1,850	—	—	1,850
<b>Total Assets</b>	<b>\$ 1,850</b>	<b>\$ 160,938</b>	<b>\$ —</b>	<b>\$ 162,788</b>

(Dollars in thousands)	June 30, 2023			
	Level I	Level II	Level III	Total
<b>Assets:</b>				
Investments available for sale:				
Mortgage-backed securities	\$ —	\$ 106,756	\$ —	\$ 106,756
U.S. agency collateralized mortgage obligations	—	8,292	—	8,292
U.S. government agency securities	—	3,932	—	3,932
Municipal bonds	—	14,979	—	14,979
Corporate bonds	—	31,168	—	31,168
Equity securities	1,629	—	—	1,629
<b>Total Assets</b>	<b>\$ 1,629</b>	<b>\$ 165,127</b>	<b>\$ —</b>	<b>\$ 166,756</b>

#### 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.

Loan individually evaluated for impairment are generally measured for impairment using the fair value of the collateral supporting the loan. Evaluating the collateral for these loans 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 December 31, 2023 and June 30, 2023, the Company charged-off the collateral deficiency on loans evaluated individually for impairment. As a result, there were no specific reserves on loans evaluated individually for impairment as of December 31, 2023 and June 30, 2023.

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.

As of December 31, 2023 and June 30, 2023, there were no assets required to be measured and reported at fair value on a non-recurring basis.

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 due to the relatively short time between origination of the instrument and its expected realization.

#### **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.

#### **Equity Securities**

The fair value of equity securities is equal to the available quoted market price.

#### **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 because Federal Home Loan Bank stock can only be redeemed or sold at par value and only to the respective issuing government supported institution or to another member institution.

#### **Bank-Owned Life Insurance**

The Company reports bank-owned life insurance on its Consolidated Statements of Financial Condition at the cash surrender value. The carrying amount of bank-owned life insurance approximates fair value because the fair value of bank-owned life insurance 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 money market deposits are, by definition, equal to the amount payable on demand at the reporting date as these products have no stated maturity. 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. The tables below exclude financial instruments for which the carrying amount approximates fair value.

(Dollars in thousands)	Fair Value Measurements at December 31, 2023				
	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 instruments - assets:					
Loans receivable, net	\$ 467,214	\$ 427,668	\$ —	\$ —	\$ 427,668
Securities held to maturity	96,404	81,239	—	81,239	—
Financial instruments - liabilities:					
Certificates of deposit	157,634	154,955	—	—	154,955
Advances from Federal Home Loan Bank	54,000	54,033	—	—	54,033
Off-balance sheet financial instruments	—	—	—	—	—

(Dollars in thousands)	Fair Value Measurements at June 30, 2023				
	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 instruments - assets:					
Loans receivable, net	\$ 477,543	\$ 436,636	\$ —	\$ —	\$ 436,636
Securities held to maturity	99,690	82,313	—	82,313	—
Financial instruments - liabilities:					
Certificates of deposit	159,377	155,426	—	—	155,426
Advances from Federal Home Loan Bank	34,000	34,000	—	—	34,000
Off-balance sheet financial instruments	—	—	—	—	—



**Note 15 – Subsequent Events**

On January 17, 2024, the Company declared a cash dividend of \$0.03 per share, payable on February 8, 2024, to common shareholders of record at the close of business on January 29, 2024.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward-Looking Statements

Statements contained in this report that are not historical facts may constitute forward-looking statements (within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended), which involve significant risks and uncertainties. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of invoking these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by the use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," "plan," or similar expressions. The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain and actual results may differ from those predicted. The Company undertakes no obligation to update these forward-looking statements in the future.

The Company cautions readers of this report that a number of important factors could cause the Company's actual results to differ materially from those expressed in forward-looking statements. Factors that could cause actual results to differ from those predicted and could affect the future prospects of the Company include, but are not limited to: (i) general economic conditions, either nationally or in our market area, that are worse than expected; (ii) changes in the interest rate environment that reduce our interest margins, reduce the fair value of financial instruments or reduce the demand for our loan products; (iii) increased competitive pressures among financial services companies; (iv) changes in consumer spending, borrowing and savings habits; (v) changes in the quality and composition of our loan or investment portfolios; (vi) changes in real estate market values in our market area; (vii) decreased demand for loan products, deposit flows, competition, or decreased demand for financial services in our market area; (viii) military conflict (including the Russia/Ukraine conflict, the conflict in Israel and surrounding areas, the possible expansion of such conflicts and potential geopolitical consequences), terrorism or other geopolitical events, and major catastrophes such as earthquakes, floods or other natural or human disasters and infectious disease outbreaks, the related disruption of any of these events to local, regional and global economic activity and financial markets, and the impact that any of the foregoing may have on us and our customers and other constituencies; (ix) legislative or regulatory changes that adversely affect our business or changes in the monetary and fiscal policies of the U.S. government, including policies of the U.S. Treasury and the Federal Reserve Board; (x) technological changes that may be more difficult or expensive than expected; (xi) success or consummation of new business initiatives may be more difficult or expensive than expected; (xii) our ability to successfully execute our business plan and strategies and integrate the business operations of acquired businesses into our business operations (xiii) our ability to manage market risk, credit risk and operational risk in the current economic environment; (xiv) adverse changes in the securities markets; (xv) the inability of third party service providers to perform; (xvi) the impact of failures or disruptions in or breaches of the Company's operational or security systems, data or infrastructure, or those of third parties, including as a result of cyberattacks or campaigns; and (xvii) changes in accounting policies and practices, as may be adopted by bank regulatory agencies or the Financial Accounting Standards Board.

### Critical Accounting Policies

We consider accounting policies involving significant judgments and assumptions by management that have, or could have, a material impact on the carrying value of certain assets or on income to be critical accounting policies. We consider these accounting policies to be our critical accounting policies. The judgments and assumptions we use are based on historical experience and other factors, which we believe to be reasonable under the circumstances. Actual results could differ from these judgments and estimates under different conditions, resulting in a change that could have a material impact on the carrying values of our assets and liabilities and our results of operations.

### *Allowance for Credit Losses*

We consider the allowance for credit losses to be a critical accounting policy. Note 2 to the Company's Consolidated Financial Statements for the period ended December 31, 2023 discusses significant accounting policies, including the allowance for credit losses and the adoption of ASC 326, which changes the methodology under which management calculates its reserve for loans and investment securities, now referred to as the allowance for credit losses. Please refer to Note 2 to the Company's Consolidated Financial Statements for detail regarding the Company's adoption of ASU 2016-13: *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and the allowance for credit losses. Although we believe that we use the best information available to establish the allowance for credit losses, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making the evaluation. In addition, the Federal Deposit Insurance Corporation and the

Pennsylvania Department of Banking and Securities, as an integral part of their examination process, periodically review our allowance for credit losses.

Our financial results are affected by the changes in and the level of the allowance for credit losses. This process involves our analysis of complex internal and external variables, and it requires that we exercise judgment to estimate an appropriate allowance for credit losses. As a result of the uncertainty associated with this subjectivity, we cannot assure the precision of the amount reserved, should we experience sizeable loan losses in any particular period. For example, changes in the financial condition of individual borrowers, economic conditions, or the condition of various markets in which collateral may be sold could require us to significantly decrease or increase the level of the allowance for credit losses. Such an adjustment could materially affect net income as a result of the change in provision for credit losses. We also have approximately \$3.0 million as of December 31, 2023 in non-performing assets consisting of non-performing loans and one property held in other real estate owned. Most of these assets are collateral dependent loans where we have incurred credit losses to write the assets down to their current appraised value less selling costs. We continue to assess the collectability of these loans and update our appraisals on these loans each year. To the extent the property values continue to decline, there could be additional losses incurred on these non-performing loans which may be material. In recent periods, we experienced strong asset quality metrics including low levels of delinquencies, net charge-offs and non-performing assets. Management considered market conditions in deriving the estimated allowance for credit losses; however, given the continued economic difficulties, the ultimate amount of loss could vary from that estimate.

### ***Goodwill***

The acquisition method of accounting for business combinations requires us to record assets acquired, liabilities assumed, and consideration paid at their estimated fair values as of the acquisition date. The excess of consideration paid (or the fair value of the equity of the acquiree) over the fair value of net assets acquired represents goodwill. Goodwill totaled \$4.9 million at December 31, 2023. Goodwill and other indefinite lived intangible assets are not amortized on a recurring basis, but rather are subject to periodic impairment testing. The provisions of Accounting Standards Codification (“ASC”) Topic 350 allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test.

During the three and six months ended December 31, 2023, management considered the then current economic environment in its evaluation, and determined, based on the totality of its qualitative assessment, that it is not more likely than not that the carrying value of goodwill is impaired. No goodwill impairment existed during the three and six months ended December 31, 2023.

### ***Income Taxes***

We are subject to the income tax laws of the various jurisdictions where we conduct business and estimate income tax expense based on amounts expected to be owed to these various tax jurisdictions. The estimated income tax expense (benefit) is reported in the Consolidated Statements of Income. The evaluation pertaining to the tax expense and related tax asset and liability balances involves a high degree of judgment and subjectivity around the ultimate measurement and resolution of these matters.

Accrued taxes represent the net estimated amount due to or to be received from tax jurisdictions either currently or in the future and are reported in other assets on our Consolidated Statements of Financial Condition. We assess the appropriate tax treatment of transactions and filing positions after considering statutes, regulations, judicial precedent and other pertinent information and maintain tax accruals consistent with our evaluation. Changes in the estimate of accrued taxes occur periodically due to changes in tax rates, interpretations of tax laws, the status of examinations by the authorities and newly issued or enacted statutory, judicial and regulatory guidance that could impact the relative merits of tax positions. These changes, when they occur, impact accrued taxes and can materially affect our operating results. We regularly evaluate our uncertain tax positions and estimate the appropriate level of reserves related to each of these positions.

As of December 31, 2023, we had net deferred tax assets totaling \$9.0 million. We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial carrying amounts of existing assets and liabilities and their respective tax bases. If currently available information raises doubt as to the realization of the deferred tax assets, a valuation allowance is established. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We exercise significant judgment in evaluating the amount and timing of recognition of the resulting tax assets and liabilities. These judgments require us to make projections of future taxable income. Management believes, based upon current facts, that it is more likely than not that there will be sufficient taxable income in future years to realize the deferred tax assets. The judgments and estimates we make in determining our deferred tax assets are inherently subjective and are reviewed on a continual basis as regulatory and business factors change. Any reduction in estimated future taxable income may require us to record a

valuation allowance against our deferred tax assets. A valuation allowance that results in additional income tax expense in the period in which it is recognized would negatively affect earnings. Our net deferred tax assets were determined based on the current enacted federal tax rate of 21%. Any possible future reduction in federal tax rates, would reduce the value of our net deferred tax assets and result in immediate write-down of the net deferred tax assets through our statement of operations, the effect of which would be material.

### **Comparison of Financial Condition at December 31, 2023 and June 30, 2023**

**Summary.** Total assets decreased \$21.6 million, or 2.5%, to \$826.0 million at December 31, 2023, from \$847.6 million at June 30, 2023, primarily due to a \$10.3 million decrease in net loans, a \$7.2 million decrease in investments, and a \$3.3 million decrease in cash and cash equivalents. The Company used \$34.3 million of cash during the six months ended December 31, 2023 to repurchase shares of stock under its previously announced stock repurchase programs.

Cash and cash equivalents decreased \$3.3 million, or 15.7%, to \$17.5 million at December 31, 2023, from \$20.8 million at June 30, 2023. The decrease in cash and cash equivalents was primarily due to the repurchase of 2,815,849 shares at a total cost of \$34.3 million and an \$8.6 million decrease in deposits, partially offset by a \$20.0 million increase in advances from the Federal Home Loan Bank (“FHLB”) of Pittsburgh, approximately \$10.8 million of investment paydowns, and a \$10.3 million decrease in net loans.

**Investments.** Total investments decreased \$7.2 million, or 2.7%, to \$259.2 million at December 31, 2023, from \$266.4 million at June 30, 2023. The decrease in investments was primarily due to approximately \$10.8 million of principal paydowns of the securities included in the available for sale and held to maturity portfolios, partially offset by a \$3.2 million decrease in the gross unrealized loss on available for sale securities. The Company remains focused on maintaining a high-quality investment portfolio that provides a steady stream of cash flows.

**Loans.** Net loans decreased \$10.3 million, or 2.2%, to \$467.2 million at December 31, 2023, from \$477.5 million at June 30, 2023. The interest rate environment has caused a slowdown in borrower demand and the Company maintains conservative lending practices and pricing discipline.

**Deposits.** Deposits decreased \$8.6 million, or 1.4%, to \$626.7 million at December 31, 2023, from \$635.3 million at June 30, 2023. The decrease in deposits was primarily due to a \$15.7 million decrease in money market accounts, a \$5.5 million decrease in savings accounts, and a \$2.5 million decrease in non-interest bearing checking accounts, partially offset by a \$17.0 million increase in interest bearing checking accounts. The interest rate environment has created significant pricing competition for deposits within our market.

**Borrowings.** Borrowings increased \$20.0 million, or 58.8%, to \$54.0 million at December 31, 2023, from \$34.0 million at June 30, 2023. During the six months ended December 31, 2023, the Company borrowed from the FHLB of Pittsburgh to fund a portion of the \$34.3 million of share repurchases.

**Stockholders’ Equity.** Stockholders’ equity decreased \$31.8 million, or 19.8%, to \$128.9 million at December 31, 2023, from \$160.7 million at June 30, 2023. The decrease in stockholders’ equity was primarily due to the repurchase of 2,815,849 shares at a total cost of \$34.3 million, or \$12.18 per share, during the six months ended December 31, 2023 under the Company’s previously announced stock repurchase programs, the payment of two \$0.03 per share quarterly cash dividends totaling \$637 thousand, and a \$226 thousand one-time cumulative effect decrease to retained earnings from the adoption of the Current Expected Credit Losses (“CECL”) accounting standard. These decreases to stockholders’ equity were partially offset by a \$2.4 million decrease in the accumulated other comprehensive loss component of equity related to the unrealized loss on available for sale securities and \$190 thousand of net income during the six months ended December 31, 2023.

Book value per share measured \$13.38 as of December 31, 2023 compared to \$12.91 as of June 30, 2023, and tangible book value per share measured \$12.83 as of December 31, 2023 compared to \$12.48 as of June 30, 2023. Tangible book value per share is a non-GAAP financial measure that excludes goodwill and other intangible assets. Please refer to the “Non-GAAP Financial Information” section below for a reconciliation of tangible book value per share to book value per share.

As previously announced, the Company’s Board of Directors had authorized seven stock repurchase programs to acquire up to 6,433,769 shares of the Company’s outstanding shares. As of December 31, 2023, the Company had repurchased a total of 5,996,320 shares under these repurchase programs at a total cost of \$70.0 million, or \$11.67 per share.

## Results of Operations for the Three Months Ended December 31, 2023 and 2022

### Summary

The following table sets forth the income summary for the periods indicated:

(Dollars in thousands)	Three Months Ended December 31,			
	2023	2022	Change Fiscal 2023/2022	
			\$	%
Net interest income	\$ 4,211	\$ 6,036	\$ (1,825)	(30.24)%
Provision for credit losses	25	—	25	100.00
Non-interest income	828	902	(74)	(8.20)
Non-interest expenses	5,071	5,660	(589)	(10.41)
Income tax (benefit) expense	(68)	217	(285)	(131.34)
Net income	\$ 11	\$ 1,061	\$ (1,050)	(98.96)
Return on average assets (annualized)	0.01 %	0.49 %		
Core return on average assets <sup>(1)</sup> (non-GAAP) (annualized)	(0.08)	0.37		
Return on average equity (annualized)	0.04	2.38		
Core return on average equity <sup>(1)</sup> (non-GAAP) (annualized)	(0.54)	1.77		

(1) Core return on average assets and core return on average equity are non-GAAP financial measures. Please refer to the “Non-GAAP Financial Information” section below for a reconciliation of core return on average assets to return on average assets and core return on average equity to return on average equity.

### General

The Company recorded net income of \$11 thousand, or \$0.00 per basic and diluted share, for the three months ended December 31, 2023, compared to net income of \$1.0 million, or \$0.08 per basic and diluted share, for the three months ended December 31, 2022. The Company recorded a core net loss of \$168 thousand, or \$(0.02) per basic and diluted share, for the three months ended December 31, 2023, compared to core net income of \$788 thousand, or \$0.06 per basic and diluted share, for the three months ended December 31, 2022. Core net (loss) income is a non-GAAP financial measure that excludes certain pre-tax adjustments and the tax impact of such adjustments, and income tax benefit adjustments. Please refer to the “Non-GAAP Financial Information” section below for a reconciliation of core net (loss) income to net income.

### Net Interest Income

For the three months ended December 31, 2023, net interest income was \$4.2 million, a decrease of \$1.8 million, or 30.2%, from the three months ended December 31, 2022. The decrease in net interest income was primarily due to an increase in interest expense on deposits and borrowings, partially offset by an increase in interest income on loans. The net interest margin measured 2.28% for the three months ended December 31, 2023, compared to 3.10% for the three months ended December 31, 2022. The decrease in the net interest margin during the three months ended December 31, 2023, compared to the same period in 2022, was primarily due to an increase in the average balance of deposits and the rise in interest rates that caused an increase in the cost of borrowings and deposits that exceeded the increase in interest income on loans.

### Provision for Credit Losses

During the three months ended December 31, 2023, we recorded a \$25 thousand provision for credit losses primarily due to an increase in delinquent home equity loans and home equity lines of credit. During the three months ended December 31, 2022, we did not record a provision for loan losses due to improved asset quality metrics and continued low levels of net charge-offs and non-performing assets. Our allowance for credit losses totaled \$3.6 million, or 0.76% of total loans, as of December 31, 2023, compared to \$3.3 million, or 0.69% of total loans, as of June 30, 2023. Based on a review of the loans that were in the loan portfolio at December 31, 2023, management believes that the allowance is maintained at a level that represents its best estimate of lifetime credit losses.

Management uses available information to establish the appropriate level of the allowance for credit losses. Future additions or reductions to the allowance may be necessary based on estimates that are susceptible to change as a result of changes in economic conditions and other factors. As a result, our allowance for credit losses may not be sufficient to cover actual loan losses, and future

provisions for credit losses could materially adversely affect our operating results. In addition, various bank regulatory agencies, as an integral part of their examination process, periodically review our allowance for credit losses.

### ***Non-Interest Income***

The following table sets forth a summary of non-interest income for the periods indicated:

<b>(Dollars in thousands)</b>	<b>Three Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Service fees	\$ 225	\$ 209
Net gain on sale of securities	85	—
Earnings on bank-owned life insurance	309	274
Net gain on disposition of premises and equipment	—	300
Unrealized gain on equity securities	148	54
Other	61	65
<b>Total</b>	<b>\$ 828</b>	<b>\$ 902</b>

For the three months ended December 31, 2023, non-interest income totaled \$828 thousand, a decrease of \$74 thousand, or 8.2%, from the three months ended December 31, 2022. The decrease was primarily due to a \$300 thousand net gain on the sale of premises and equipment associated with the sale of two properties recorded during the three months ended December 31, 2022, partially offset by a \$94 thousand increase in the unrealized gain on equity securities and an \$85 thousand gain on sale of securities recorded during the three months ended December 31, 2023.

### ***Non-Interest Expense***

The following table sets forth an analysis of non-interest expense for the periods indicated:

<b>(Dollars in thousands)</b>	<b>Three Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Salaries and employee benefits	\$ 2,861	\$ 3,222
Occupancy and equipment	728	907
Data processing	504	472
Professional fees	192	258
Amortization of intangible assets	41	49
Other	745	752
<b>Total</b>	<b>\$ 5,071</b>	<b>\$ 5,660</b>

For the three months ended December 31, 2023, non-interest expense totaled \$5.1 million, a decrease of \$589 thousand, or 10.4%, from the three months ended December 31, 2022. The decrease in non-interest expense was primarily due to a \$361 thousand decrease in salaries and employee benefits primarily due to a reduction in the number of full-time employees consistent with the Company's expense management initiatives and a \$179 thousand decrease in occupancy and equipment expense consistent with the closure of the branch office located in Collingswood, New Jersey effective December 31, 2022.

### ***Income Taxes***

For the three months ended December 31, 2023, the Company recorded a \$68 thousand income tax benefit, reflecting an effective tax rate of (119.3)%, compared to a provision for income taxes of \$217 thousand, reflecting an effective tax rate of 17.0%, for the same period in 2022. The income tax benefit recorded during the three months ended December 31, 2023 was primarily due to the \$57 thousand loss before income taxes coupled with the \$309 thousand of federal tax-exempt income recorded on bank-owned life insurance.

## Results of Operations for the Six Months Ended December 31, 2023 and 2022

### Summary

The following table sets forth the income summary for the periods indicated:

(Dollars in thousands)	Six Months Ended December 31,			
	2023	2022	Change 2023/2022	
			\$	%
Net interest income	\$ 8,955	\$ 12,277	\$ (3,322)	(27.06)%
Provision for credit losses	30	—	30	100.00
Non-interest income	1,478	1,184	294	24.83
Non-interest expenses	10,296	11,223	(927)	(8.26)
Income tax (benefit) expense	(83)	150	(233)	(155.33)
Net income	\$ 190	\$ 2,088	\$ (1,898)	(90.90)
Return on average assets (annualized)	0.05 %	0.48 %		
Core return on average assets <sup>(1)</sup> (non-GAAP) (annualized)	(0.01)	0.42		
Return on average equity (annualized)	0.27	2.24		
Core return on average equity <sup>(1)</sup> (non-GAAP) (annualized)	(0.07)	1.95		

(1) Core return on average assets and core return on average equity are non-GAAP financial measures. Please refer to the “Non-GAAP Financial Information” section below for a reconciliation of core return on average assets to return on average assets and core return on average equity to return on average equity.

### General

The Company recorded net income of \$190 thousand, or \$0.02 per basic and diluted share, for the six months ended December 31, 2023, compared to net income of \$2.1 million, or \$0.16 per basic and diluted share, for the six months ended December 31, 2022. The Company recorded a core net loss of \$46 thousand, or \$(0.00) per basic and diluted share, for the six months ended December 31, 2023, compared to core net income of \$1.8 million, or \$0.14 per basic and diluted share, for the six months ended December 31, 2022. Core net (loss) income is a non-GAAP financial measure that excludes certain pre-tax adjustments and the tax impact of such adjustments, and income tax benefit adjustments. Please refer to the “Non-GAAP Financial Information” section below for a reconciliation of core net (loss) income to net income.

### Net Interest Income

For the six months ended December 31, 2023, net interest income was \$9.0 million, a decrease of \$3.3 million, or 27.1%, from the six months ended December 31, 2022. The decrease in net interest income was primarily due to an increase in interest expense on deposits and borrowings, partially offset by an increase in interest income on loans and investments. The net interest margin measured 2.40% for the six months ended December 31, 2023, compared to 3.14% for the six months ended December 31, 2022. The decrease in the net interest margin during the six months ended December 31, 2023, compared to the same period in 2022, was primarily due to an increase in the average balance of deposits and the rise in interest rates that caused an increase in the cost of borrowings and deposits that exceeded the increase in interest income on loans and investments.

### Provision for Credit Losses

During the six months ended December 31, 2023, we recorded a \$30 thousand provision for credit losses primarily due to an increase in delinquent home equity loans and home equity lines of credit, partially offset by a decrease in the outstanding balance of our total loan portfolio. During the six months ended December 31, 2022, we did not record a provision for loan losses due to improved asset quality metrics and continued low levels of net charge-offs and non-performing assets. Our allowance for credit losses totaled \$3.6 million, or 0.76% of total loans, as of December 31, 2023, compared to \$3.3 million, or 0.69% of total loans, as of June 30, 2023. Based on a review of the loans that were in the loan portfolio at December 31, 2023, management believes that the allowance is maintained at a level that represents its best estimate of lifetime credit losses.

Management uses available information to establish the appropriate level of the allowance for credit losses. Future additions or reductions to the allowance may be necessary based on estimates that are susceptible to change as a result of changes in economic conditions and other factors. As a result, our allowance for credit losses may not be sufficient to cover actual loan losses, and future

provisions for credit losses could materially adversely affect our operating results. In addition, various bank regulatory agencies, as an integral part of their examination process, periodically review our allowance for credit losses.

### ***Non-Interest Income***

The following table sets forth a summary of non-interest income for the periods indicated:

<b>(Dollars in thousands)</b>	<b>Six Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Service fees	\$ 440	\$ 420
Net gain on sale of securities	85	—
Earnings on bank-owned life insurance	603	547
Net gain on disposition of premises and equipment	—	299
Unrealized gain (loss) on equity securities	221	(219)
Other	129	137
<b>Total</b>	<b>\$ 1,478</b>	<b>\$ 1,184</b>

For the six months ended December 31, 2023, non-interest income totaled \$1.5 million, an increase of \$294 thousand, or 24.8%, from the six months ended December 31, 2022. The increase was primarily due to a \$221 thousand unrealized gain on equity securities recorded during the six months ended December 31, 2023 compared to a \$219 thousand unrealized loss on equity securities recorded during the six months ended December 31, 2022 and an \$85 thousand gain on sale of securities recorded during the six months ended December 31, 2023. These increases to non-interest income were partially offset by a \$300 thousand net gain on the sale of premises and equipment associated with the sale of two properties recorded during the six months ended December 31, 2022.

### ***Non-Interest Expense***

The following table sets forth an analysis of non-interest expense for the periods indicated:

<b>(Dollars in thousands)</b>	<b>Six Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Salaries and employee benefits	\$ 5,796	\$ 6,463
Occupancy and equipment	1,488	1,695
Data processing	998	903
Professional fees	402	521
Amortization of intangible assets	82	97
Other	1,530	1,544
<b>Total</b>	<b>\$ 10,296</b>	<b>\$ 11,223</b>

For the six months ended December 31, 2023, non-interest expense totaled \$10.3 million, a decrease of \$927 thousand, or 8.3%, from the six months ended December 31, 2022. The decrease in non-interest expense was primarily due to a \$667 thousand decrease in salaries and employee benefits primarily due to a reduction in the number of full-time employees consistent with the Company's expense management initiatives and a \$207 thousand decrease in occupancy and equipment expense consistent with the closure of the branch office located in Collingswood, New Jersey effective December 31, 2022.

### ***Income Taxes***

For the six months ended December 31, 2023, the Company recorded an \$83 thousand income tax benefit, reflecting an effective tax rate of (77.6)%, compared to a provision for income taxes of \$150 thousand, reflecting an effective tax rate of 6.7%, for the same period in 2022. The income tax benefit recorded during the six months ended December 31, 2023 was primarily due to the \$603 thousand of federal tax-exempt income recorded on bank-owned life insurance relative to the \$107 thousand of income before income taxes. The Company recorded a \$211 thousand income tax benefit related to a refund received associated with the carryback of net operating losses under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act during the six months ended December 31, 2022.

### ***Asset Quality***

Asset quality metrics remain strong with non-performing assets to total assets decreasing to 0.38% as of December 31, 2023 from 0.49% as of June 30, 2023. Total nonperforming loans consisted of 30 loans to 27 unrelated borrowers at December 31, 2023, as compared to 30 loans to 27 unrelated borrowers at June 30, 2023. Interest income related to non-performing loans would have been approximately



\$106 thousand during the six months ended December 31, 2023 if these loans had performed in accordance with their terms during the period rather than having been on non-accrual.

There are circumstances when foreclosure and liquidations are the remedy pursued. However, from time to time, as part of our loss mitigation strategy, we may renegotiate the loan terms (i.e., interest rate, structure, repayment term, etc.) based on the economic or legal reasons related to the borrower's financial difficulties. We had no loans modified to borrowers experiencing financial difficulty during the six months ended December 31, 2023.

### Average Balances and Yields

The following table presents information regarding average balances of assets and liabilities, the total dollar amounts of interest income and dividends from average interest-earning assets, the total dollar amounts of interest expense on average interest-bearing liabilities, and the resulting annualized average yields and costs. The yields and costs for the periods indicated are derived by dividing income or expense by the average daily balances of assets or liabilities, respectively, for the periods presented. Loan fees, including prepayment fees, are included in interest income on loans and are not material. Non-accrual loans are included in the average balances only. Any adjustments necessary to present yields on a tax-equivalent basis are insignificant.

(Dollars in thousands)	Three Months Ended December 31,					
	2023			2022		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
<b>Interest-earning assets:</b>						
Loans <sup>(1)</sup>	\$ 472,456	\$ 6,194	5.24 %	\$ 484,700	\$ 5,666	4.68 %
Investment securities <sup>(2)</sup>	254,542	1,700	2.67	276,741	1,707	2.47
Other interest-earning assets	11,544	169	5.86	17,508	187	4.27
Total interest-earning assets	738,542	8,063	4.37	778,949	7,560	3.88
Non-interest-earning assets	83,582			84,421		
Total assets	<u>\$ 822,124</u>			<u>\$ 863,370</u>		
<b>Interest-bearing liabilities:</b>						
Interest-bearing checking accounts	\$ 139,246	588	1.69 %	\$ 133,690	97	0.29 %
Money market deposit accounts	194,016	1,458	3.01	179,357	544	1.21
Savings and club accounts	84,609	12	0.06	99,553	21	0.08
Certificates of deposit	161,761	1,162	2.87	136,352	312	0.92
Total interest-bearing deposits	579,632	3,220	2.22	548,952	974	0.71
FHLB advances and other borrowings	43,652	632	5.79	55,950	550	3.93
Total interest-bearing liabilities	623,284	3,852	2.47	604,902	1,524	1.01
<b>Non-interest-bearing liabilities:</b>						
Non-interest-bearing deposits	55,266			63,282		
Other non-interest-bearing liabilities	18,375			16,640		
Total liabilities	696,925			684,824		
Total stockholders' equity	125,199			178,546		
Total liabilities and equity	<u>\$ 822,124</u>			<u>\$ 863,370</u>		
Net interest income		<u>\$ 4,211</u>			<u>\$ 6,036</u>	
Interest rate spread <sup>(3)</sup>		1.90 %			2.87 %	
Net interest-earning assets <sup>(4)</sup>	\$ 115,258			\$ 174,047		
Net interest margin <sup>(5)</sup>		2.28 %			3.10 %	
Ratio of interest-earning assets to interest-bearing liabilities	118.49%			128.77%		

<sup>(1)</sup> Includes nonaccrual loan balances and interest recognized on such loans.

<sup>(2)</sup> Includes securities available for sale, securities held to maturity, and equity securities.

<sup>(3)</sup> Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

<sup>(4)</sup> Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.

<sup>(5)</sup> Net interest margin represents net interest income divided by average total interest-earning assets.

Six Months Ended December 31,

(Dollars in thousands)	2023			2022		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
<b>Interest-earning assets:</b>						
Loans <sup>(1)</sup>	\$ 475,711	\$ 12,333	5.19 %	\$ 481,048	\$ 10,963	4.56 %
Investment securities <sup>(2)</sup>	259,083	3,411	2.63	282,218	3,364	2.38
Other interest-earning assets	11,466	330	5.76	17,622	316	3.59
Total interest-earning assets	<u>746,260</u>	<u>16,074</u>	4.31	<u>780,888</u>	<u>14,643</u>	3.75
Non-interest-earning assets	82,849			83,172		
Total assets	<u>\$ 829,109</u>			<u>\$ 864,060</u>		
<b>Interest-bearing liabilities:</b>						
Interest-bearing checking accounts	\$ 130,122	893	1.37 %	\$ 131,975	163	0.25 %
Money market deposit accounts	197,371	2,884	2.92	176,153	760	0.86
Savings and club accounts	86,225	30	0.07	102,001	41	0.08
Certificates of deposit	161,793	2,143	2.65	132,967	519	0.78
Total interest-bearing deposits	<u>575,511</u>	<u>5,950</u>	2.07	<u>543,096</u>	<u>1,483</u>	0.55
FHLB advances and other borrowings	40,739	1,169	5.74	55,337	883	3.19
Total interest-bearing liabilities	<u>616,250</u>	<u>7,119</u>	2.31	<u>598,433</u>	<u>2,366</u>	0.79
<b>Non-interest-bearing liabilities:</b>						
Non-interest-bearing deposits	56,158			64,216		
Other non-interest-bearing liabilities	17,994			14,926		
Total liabilities	<u>690,402</u>			<u>677,575</u>		
Total stockholders' equity	<u>138,707</u>			<u>186,485</u>		
Total liabilities and equity	<u>\$ 829,109</u>			<u>\$ 864,060</u>		
Net interest income		<u>\$ 8,955</u>			<u>\$ 12,277</u>	
Interest rate spread <sup>(3)</sup>		2.00 %			2.96 %	
Net interest-earning assets <sup>(4)</sup>	\$ 130,010			\$ 182,455		
Net interest margin <sup>(5)</sup>		2.40 %			3.14 %	
Ratio of interest-earning assets to interest-bearing liabilities	121.10%			130.49%		

<sup>(1)</sup> Includes nonaccrual loan balances and interest recognized on such loans.

<sup>(2)</sup> Includes securities available for sale, securities held to maturity, and equity securities.

<sup>(3)</sup> Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

<sup>(4)</sup> Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.

<sup>(5)</sup> Net interest margin represents net interest income divided by average total interest-earning assets.

## Rate/Volume Analysis

The following table sets forth the effects of changing rates and volumes on our net interest income. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by current rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume which cannot be segregated have been allocated proportionately based on the changes due to rate and volume.

(Dollars in thousands)	Three Months Ended 12/31/2023 Compared to Three Months Ended 12/31/2022			Six Months Ended 12/31/2023 Compared to Six Months Ended 12/31/2022		
	Increase (Decrease)			Increase (Decrease)		
	Volume	Rate	Total	Volume	Rate	Total
<b>Interest income:</b>						
Loans	\$ (857)	\$ 1,385	\$ 528	\$ (348)	\$ 1,718	\$ 1,370
Investment securities	(560)	553	(7)	(598)	645	47
Other interest-earning assets	(274)	256	(18)	(275)	289	14
Total interest-earning assets	(1,691)	2,194	503	(1,221)	2,652	1,431
<b>Interest expense:</b>						
Interest-bearing checking accounts	28	463	491	(7)	737	730
Money market deposit accounts	323	591	914	273	1,851	2,124
Savings and club accounts	(3)	(6)	(9)	(6)	(5)	(11)
Certificates of deposit	428	422	850	333	1,291	1,624
Total interest-bearing deposits	776	1,470	2,246	593	3,874	4,467
FHLB advances and other borrowings	(634)	716	82	(629)	915	286
Total interest-bearing liabilities	142	2,186	2,328	(36)	4,789	4,753
Net change in net interest income	\$ (1,833)	\$ 8	\$ (1,825)	\$ (1,185)	\$ (2,137)	\$ (3,322)

## Non-GAAP Financial Information

In this report, we present the non-GAAP financial measures discussed below, which are used to evaluate our performance and exclude the effects of certain transactions and one-time events that we believe are unrelated to our core business and not necessarily indicative of our current performance or financial position. Management believes excluding these items facilitates greater visibility into our core businesses and underlying trends that may, to some extent, be obscured by inclusion of such items.

**Tangible Book Value per Share.** Tangible book value per share represents our total equity less goodwill and other intangible assets divided by total common shares outstanding. Management believes tangible book value per share helps management and investors better understand and assess changes from period to period in stockholders' equity exclusive of changes in intangible assets. This non-GAAP data should be considered in addition to results prepared in accordance with Generally Accepted Accounting Principles in the U.S. (GAAP), and is not a substitute for, or superior to, GAAP results. The following table provides a reconciliation of tangible book value per share of common stock to book value per share of common stock, the most directly comparable GAAP financial measure, for the periods presented.

(Dollars in thousands, except share and per share data)

Calculation of Tangible Book Value per Share:	As of December 31,	As of June 30,
	2023	2023
Total stockholders' equity	\$ 128,946	\$ 160,745
Less: goodwill and other intangible assets	5,295	5,377
Total tangible equity (non-GAAP)	123,651	155,368
Total common shares outstanding	9,637,072	12,452,921
Book value per share (GAAP)	\$ 13.38	\$ 12.91
Tangible book value per share (non-GAAP)	\$ 12.83	\$ 12.48

**Core net income, core earnings per share, core return on average assets, and core return on average equity.** These non-GAAP financial measures exclude certain pre-tax adjustments and the tax impact of such adjustments, and income tax benefit adjustments. We believe these ratios help management and investors better understand the earnings attributable to our core business. This non-GAAP data should be considered in addition to results prepared in accordance with Generally Accepted Accounting Principles in the U.S. (GAAP), and is not a substitute for, or superior to, GAAP results. The following table provides a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

	For the Three Months Ended		For the Six Months Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
<b>Calculation of core net income:</b>				
Net income (GAAP)	\$ 11	\$ 1,061	\$ 190	\$ 2,088
Less pre-tax adjustments:				
Net gain on sale of securities	(85)	—	(85)	—
Net gain on disposition of premises and equipment	—	(300)	—	(299)
Unrealized (gain) loss on equity securities	(148)	(54)	(221)	219
Tax impact of pre-tax adjustments	54	81	70	18
Income tax benefit adjustment	—	—	—	(211)
Core net income (non-GAAP)	<u>\$ (168)</u>	<u>\$ 788</u>	<u>\$ (46)</u>	<u>\$ 1,815</u>
<b>Calculation of core earnings per share:</b>				
Earnings per share (GAAP)	\$ —	\$ 0.08	\$ 0.02	\$ 0.16
Less pre-tax adjustments:				
Net gain on sale of securities	(0.01)	—	(0.01)	—
Net gain on disposition of premises and equipment	—	(0.02)	—	(0.02)
Unrealized (gain) loss on equity securities	(0.02)	(0.01)	(0.02)	0.02
Tax impact of pre-tax adjustments	0.01	0.01	0.01	—
Income tax benefit adjustment	—	—	—	(0.02)
Core earnings per share (non-GAAP)	<u>\$ (0.02)</u>	<u>\$ 0.06</u>	<u>\$ (0.00)</u>	<u>\$ 0.14</u>
<b>Calculation of core return on average assets:</b>				
Return on average assets (GAAP)	0.01%	0.49%	0.05%	0.48%
Less pre-tax adjustments:				
Net gain on sale of securities	(0.04)	—	(0.02)	—
Net gain on disposition of premises and equipment	—	(0.13)	—	(0.06)
Unrealized (gain) loss on equity securities	(0.08)	(0.03)	(0.06)	0.05
Tax impact of pre-tax adjustments	0.03	0.04	0.02	—
Income tax benefit adjustment	—	—	—	(0.05)
Core return on average assets (non-GAAP)	<u>(0.08)%</u>	<u>0.37%</u>	<u>(0.01)%</u>	<u>0.42%</u>
Average assets	\$ 822,124	\$ 863,370	\$ 829,109	\$ 864,060
<b>Calculation of core return on average equity:</b>				
Return on average equity (GAAP)	0.04%	2.38%	0.27%	2.24%
Less pre-tax adjustments:				
Net gain on sale of securities	(0.27)	—	(0.12)	—
Net gain on disposition of premises and equipment	—	(0.67)	—	(0.32)
Unrealized (gain) loss on equity securities	(0.48)	(0.12)	(0.32)	0.23
Tax impact of pre-tax adjustments	0.17	0.18	0.10	0.02
Income tax benefit adjustment	—	—	—	(0.22)
Core return on average equity (non-GAAP)	<u>(0.54)%</u>	<u>1.77%</u>	<u>(0.07)%</u>	<u>1.95%</u>
Average equity	\$ 125,199	\$ 178,546	\$ 138,707	\$ 186,485

## Liquidity and Capital Resources

We maintain liquid assets at levels we believe are adequate to meet our liquidity needs. The Bank's liquidity ratio was 40.1% as of December 31, 2023 compared to 40.8% as of June 30, 2023. We adjust our liquidity levels to fund deposit outflows, pay real estate taxes on mortgage loans, repay our borrowings, and to fund loan commitments. We also adjust liquidity as appropriate to meet asset and liability management objectives. Our liquidity ratio is calculated as the sum of total cash and cash equivalents and unencumbered

investments securities divided by the sum of total deposits and total borrowings. The Bank maintains a liquidity ratio policy that requires this metric to be above 10.0% to provide for the effective management of extension risk and other interest rate risks.

Our primary sources of liquidity are deposits, amortization and prepayment of loans and mortgage-backed securities, maturities of investment securities, other short-term investments, earnings, and funds provided from operations. While scheduled principal repayments on loans and mortgage-backed securities are a relatively predictable source of funds, deposit flows and loan prepayments are greatly influenced by market interest rates, economic conditions, and rates offered by our competition. We set the interest rates on our deposits to maintain a desired level of total deposits. In addition, we invest excess funds in short-term interest-earning assets, which provide liquidity to meet lending requirements.

Liquidity management is both a daily and long-term function of business management. If we require funds beyond our ability to generate them internally, borrowing agreements exist with the FHLB of Pittsburgh to provide advances and with the Federal Reserve Bank to provide an overnight line of credit. We also have available credit from the Atlantic Community Bankers Bank to purchase federal funds. As a member of the FHLB of Pittsburgh, we are required to own capital stock in the FHLB of Pittsburgh and are authorized to apply for advances on the security of such stock and certain of our mortgage loans and other assets (principally securities which are obligations of, or guaranteed by, the United States), provided certain standards related to creditworthiness have been met. We had an available borrowing limit of \$284.1 million with the FHLB of Pittsburgh at December 31, 2023. There were \$54.0 million of FHLB of Pittsburgh advances outstanding at December 31, 2023.

At December 31, 2023, we had outstanding commitments to originate loans of \$5.1 million, unfunded commitments under lines of credit of \$66.1 million and \$117 thousand of standby letters of credit. At December 31, 2023, certificates of deposit scheduled to mature in less than one year totaled \$131.8 million. Based on prior experience, management believes that a significant portion of such deposits will remain with us, although there can be no assurance that this will be the case. In the event a significant portion of our deposits are not retained by us, we will have to utilize other funding sources, such as FHLB of Pittsburgh advances, in order to maintain our level of assets. Alternatively, we could reduce our level of liquid assets, such as our cash and cash equivalents. In addition, the cost of such deposits may be significantly higher if market interest rates are higher at the time of renewal.

### **Impact of Inflation and Changing Prices**

The consolidated financial statements and related notes of the Company have been prepared in accordance with GAAP, which generally requires the measurement of financial position and operating results in terms of historical dollars without consideration for changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of our operations. Unlike industrial companies, our assets and liabilities are primarily monetary in nature. As a result, changes in market interest rates have a greater impact on performance than the effects of inflation.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Interest rate risk is defined as the exposure to current and future earnings and capital that arises from adverse movements in interest rates. Depending on a bank's asset/liability structure, adverse movements in interest rates could be either rising or falling interest rates. For example, a bank with predominantly long-term fixed-rate assets and short-term liabilities could have an adverse earnings exposure to a rising rate environment. Conversely, a short-term or variable-rate asset base funded by longer term liabilities could be negatively affected by falling rates. This is referred to as re-pricing or maturity mismatch risk.

Interest rate risk also arises from changes in the slope of the yield curve (yield curve risk), from imperfect correlations in the adjustment of rates earned and paid on different instruments with otherwise similar re-pricing characteristics (basis risk), and from interest rate related options embedded in our assets and liabilities (option risk).

Our objective is to manage our interest rate risk by determining whether a given movement in interest rates affects our net interest income and the market value of our portfolio equity in a positive or negative way and to execute strategies to maintain interest rate risk within established limits. The analysis at December 31, 2023 indicates a level of risk within the parameters of our model. Our management believes that the December 31, 2023 analysis indicates a profile that reflects interest rate risk exposures in both rising and declining rate environments for both net interest income and economic value.

**Model Simulation Analysis.** We view interest rate risk from two different perspectives. The traditional accounting perspective, which defines and measures interest rate risk as the change in net interest income and earnings caused by a change in interest rates, provides the best view of short-term interest rate risk exposure. We also view interest rate risk from an economic perspective, which defines and measures interest rate risk as the change in the market value of portfolio equity caused by changes in the values of assets and liabilities,

which fluctuate due to changes in interest rates. The market value of portfolio equity, also referred to as the economic value of equity, is defined as the present value of future cash flows from existing assets, minus the present value of future cash flows from existing liabilities.

These two perspectives give rise to income simulation and economic value simulation, each of which presents a unique picture of our risk of any movement in interest rates. Income simulation identifies the timing and magnitude of changes in income resulting from changes in prevailing interest rates over a short-term time horizon (usually one or two years). Economic value simulation reflects the interest rate sensitivity of assets and liabilities in a more comprehensive fashion, reflecting all future time periods. It can identify the quantity of interest rate risk as a function of the changes in the economic values of assets and liabilities, and the corresponding change in the economic value of equity of the Bank. Both types of simulation assist in identifying, measuring, monitoring, and controlling interest rate risk and are employed by management to ensure that variations in interest rate risk exposure will be maintained within policy guidelines.

We produce these simulation reports and discuss them with our management Asset and Liability Committee and Board Risk Committee on at least a quarterly basis. The simulation reports compare baseline (no interest rate change) to the results of an interest rate shock, to illustrate the specific impact of the interest rate scenario tested on income and equity. The model, which incorporates all asset and liability rate information, simulates the effect of various interest rate movements on income and equity value. The reports identify and measure our interest rate risk exposure present in our current asset/liability structure. Management considers a static (current position) analysis as well as non-parallel and gradual changes in interest rates and the yield curve in assessing interest rate exposures.

If the results produce quantifiable interest rate risk exposure beyond our limits, then the testing will have served as a monitoring mechanism to allow us to initiate asset/liability strategies designed to reduce and therefore mitigate interest rate risk. The table below sets forth an approximation of our interest rate risk exposure. The simulation uses projected repricing of assets and liabilities at December 31, 2023. The income simulation analysis presented represents a one-year impact of the interest scenario assuming a static balance sheet. Various assumptions are made regarding the prepayment speed and optionality of loans, investment securities and deposits, which are based on analysis and market information. The assumptions regarding optionality, such as prepayments of loans and the effective lives and repricing of non-maturity deposit products, are documented periodically through evaluation of current market conditions and historical correlations to our specific asset and liability products under varying interest rate scenarios. Because the prospective effects of hypothetical interest rate changes are based on a number of assumptions, these computations should not be relied upon as indicative of actual results. While we believe such assumptions to be reasonable, assumed prepayment rates may not approximate actual future prepayment activity on mortgage-backed securities or agency issued collateralized obligations (secured by one- to four-family loans and multi-family loans). Further, the computation does not reflect any actions that management may undertake in response to changes in interest rates and assumes a constant asset base. Management periodically reviews the rate assumptions based on existing and projected economic conditions and consults with industry experts to validate our model and simulation results.

The table below sets forth, as of December 31, 2023, the Bank's net portfolio value, the estimated changes in our net portfolio value and net interest income that would result from the designated instantaneous parallel changes in market interest rates.

Change in Interest Rates (Basis Points)	Twelve Month Net Interest Income	Net Portfolio Value	
	Percent of Change	Estimated NPV	Percent of Change
+200	(17.92)%	\$ 136,205	(5.85)%
+100	(8.89)	140,179	(3.10)
0	—	144,667	—
-100	5.83	147,151	1.72
-200	11.77	150,102	3.76

As of December 31, 2023, based on the scenarios above, net interest income would decrease by approximately 8.89% to 17.92%, over a one-year time horizon in a rising interest rate environment. One-year net interest income would increase by approximately 5.83% to 11.77% in a declining interest rate environment.

Economic value at risk would be negatively impacted by a rise in interest rates and would be positively impacted by a decline in interest rates. We have established an interest rate floor of zero percent for measuring interest rate risk.

## ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure (1) that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms; and (2) that they are alerted in a timely manner about material information relating to the Company required to be filed in its periodic Securities and Exchange Commission filings.

During the quarter ended December 31, 2023, there were no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## PART II — OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The Company is involved in various legal actions and claims arising in the normal course of business. In the opinion of management, these legal actions and claims are not expected to have a material adverse impact on the Company's financial condition.

### ITEM 1A. RISK FACTORS

For information regarding the Company's risk factors, refer to the "Risk Factors" in Item 1A of the Company's Annual Report on Form 10-K for the year ended June 30, 2023, filed with the Securities and Exchange Commission on September 7, 2023 (the "Form 10-K"). As of December 31, 2023, the risk factors of the Company have not changed materially from those disclosed in the Form 10-K.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On March 11, 2022, the Company announced its first stock repurchase program, which became effective on March 25, 2022 and authorized the purchase of up to 758,528 shares. Under this previously announced program, 758,528 shares of common stock have been repurchased at a cost of \$8,981,445, or \$11.84 per share. The Company completed this repurchase program on June 29, 2022.

On June 9, 2022, the Company announced its second stock repurchase program, which became effective upon the completion of the Company's first stock repurchase program and authorized the purchase of up to 771,445 shares. Under this previously announced program, 771,445 shares of common stock have been repurchased at a cost of \$8,945,802, or \$11.60 per share. The Company completed this repurchase program on January 10, 2023.

On August 18, 2022, the Company announced its third stock repurchase program, which became effective upon the completion of the Company's second stock repurchase program and authorized the purchase of up to 739,385 shares. Under this previously announced program, 739,385 shares of common stock have been repurchased at a cost of \$8,467,495, or \$11.45 per share. The Company completed this repurchase program on April 3, 2023.

On February 17, 2023, the Company announced its fourth stock repurchase program, which became effective upon the completion of the Company's third stock repurchase program and authorized the purchase of up to 698,312 shares. Under this previously announced program, 698,312 shares of common stock have been repurchased at a cost of \$7,268,678, or \$10.41 per share. The Company completed this repurchase program on May 31, 2023.

On May 5, 2023, the Company announced its fifth stock repurchase program, which became effective upon the completion of the Company's fourth stock repurchase program and authorized the purchase of up to 1,281,019 shares. Under this previously announced program, 1,281,019 shares of common stock have been repurchased at a cost of \$14,955,344, or \$11.67 per share. The Company completed this repurchase program on August 28, 2023.

On August 29, 2023, the Company announced its sixth stock repurchase program, which was authorized following the completion of the Company's fifth stock repurchase program on August 28, 2023, and authorized the purchase of up to 1,138,470 shares. Under this

previously announced program, 1,138,470 shares of common stock have been repurchased at a cost of \$14,109,837, or \$12.39 per share. The Company completed this repurchase program on October 30, 2023.

On October 18, 2023, the Company announced its seventh stock repurchase program, which became effective upon the completion of the Company's sixth stock repurchase program and authorized the purchase of up to 1,046,610 shares. Under this previously announced program, 721,461 shares of common stock have been repurchased at a cost of \$8,833,099, or \$12.24 per share. As of February 1, 2024, there were 325,149 shares remaining to be repurchased under this existing program.

Each of the Company's stock repurchase programs was adopted following the Company's consultation with the Federal Reserve Board.

The following table provides information on repurchases by the Company of its common stock under the Company's Board approved program.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 - 31, 2023	753,062	\$ 12.26	753,062	876,218
November 1 - 30, 2023	349,263	12.17	349,263	526,955
December 1 - 31, 2023	89,506	12.43	89,506	437,449
Total	<u>1,191,831</u>	\$ 12.25	<u>1,191,831</u>	

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

During the fiscal quarter ended December 31, 2023, none of our directors or officers informed us of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Item 408 of Regulation S-K.

### ITEM 6. EXHIBITS

See Exhibit Index.

## EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation of William Penn Bancorporation (Incorporated by reference to Exhibit 3.1 to William Penn Bancorporation's Registration Statement on Form S-1 (Registration No. 333-249492))
3.2	Bylaws of William Penn Bancorporation (Incorporated by reference to Exhibit 3.2 to William Penn Bancorporation's Registration Statement on Form S-1 (Registration No. 333-249492))
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of William Penn Bancorporation
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of William Penn Bancorporation
32.1	Certification of Chief Executive Officer of William Penn Bancorporation Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002



- 32.2 Certification of Chief Financial Officer of William Penn Bancorporation Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.0 The following materials from the Company's Quarterly Report to Stockholders on Form 10-Q for the quarter ended December 31, 2023, formatted in Inline XBRL (Extensible Business Reporting Language): (i) the Consolidated Financial Condition, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Loss, (iv) the Consolidated Statements of Changes in Stockholder's Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements.
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

#### WILLIAM PENN BANCORPORATION

Date: February 1, 2024

By: /s/ Kenneth J. Stephon  
Kenneth J. Stephon  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

Date: February 1, 2024

By: /s/ Jonathan T. Logan  
Jonathan T. Logan  
Executive Vice President and Chief Financial Officer  
(Principal Financial and Chief Accounting Officer)