

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

FORM 10-K

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

For the fiscal year ended June 30, 2024

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

WILLIAM PENN BANCORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State 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)

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 if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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 (§ 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, smaller reporting company or an emerging growth company. See 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

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

The aggregate market value of the voting and non-voting equity held by non-affiliates as of December 31, 2023 was approximately \$117.7 million. The number of shares outstanding of the issuer's common stock, as of September 5, 2024: 9,257,759 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2024 Annual Meeting of Shareholders
are incorporated by reference into Part III of this Form 10-K.

WILLIAM PENN BANCORPORATION

TABLE OF CONTENTS

	<u>Page</u>
Part I	
Item 1. Business	3
Item 1A. Risk Factors	19
Item 1B. Unresolved Staff Comments	27
Item 1C. Cybersecurity	27
Item 2. Properties	28
Item 3. Legal Proceedings	28
Item 4. Mine Safety Disclosures	28
Part II	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	28
Item 6. [Reserved]	30
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	30
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	53
Item 8. Financial Statements and Supplementary Data	53
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	53
Item 9A. Controls and Procedures	53
Item 9B. Other Information	54
Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	54
Part III	
Item 10. Directors, Executive Officers and Corporate Governance	54
Item 11. Executive Compensation	54
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	54
Item 13. Certain Relationships and Related Transactions, and Director Independence	55
Item 14. Principal Accountant Fees and Services	55
Part IV	
Item 15. Exhibits and Financial Statement Schedules	55
Item 16. Form 10-K Summary	56
Signatures	F-41

PART I

ITEM 1. BUSINESS

OUR BUSINESS

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 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.

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. 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 and Philadelphia Counties in 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.

The Bank’s principal business consists of originating one- to four-family residential real estate mortgage loans, home equity lines of credit, construction residential, one- to four-family investor commercial real estate, non-residential real estate, multi-family and construction and land loans. We offer a variety of retail deposits to the general public in the areas surrounding our main office and our branch offices. We offer our customers a variety of deposit products with interest rates that are competitive with those of similar products offered by other financial institutions operating in our market area. We also utilize borrowings as a source of funds. Our revenues are derived primarily from interest on loans and, to a lesser extent, interest on investment securities. We also generate revenues from other income including deposit fees and service charges, realized gains on sales of securities, gains on the sale on the disposition of premises and equipment, earnings on bank-owned life insurance, unrealized gains on equity securities, and other income.

Acquisition History

On July 1, 2018, we acquired Audubon Savings Bank (“Audubon”), a New Jersey-chartered mutual savings association headquartered in Audubon, New Jersey and with two additional branch offices located in Mount Laurel and Pine Hill, New Jersey. The acquisition of Audubon enhanced our market share in Burlington and Camden Counties in New Jersey, and provided the Bank with a physical presence in Southern New Jersey.

On May 1, 2020, we acquired both (i) Fidelity Savings and Loan Association of Bucks County (“Fidelity”), a Pennsylvania-chartered mutual savings bank headquartered in Bristol, Pennsylvania and with a branch office located in Bristol Pennsylvania, and (ii) Washington Savings Bank (“Washington”), a Pennsylvania-chartered mutual savings bank headquartered in Philadelphia, Pennsylvania and with three additional branch offices located in Philadelphia, Pennsylvania. The acquisitions of Fidelity and Washington further increased our market presence in our existing market area.

Market Area

We are headquartered in Bristol, Pennsylvania and currently operate twelve full-service branch offices in Bucks and Philadelphia Counties in Pennsylvania, and in Burlington, Camden, and Mercer Counties in New Jersey. We periodically evaluate our network of banking offices to optimize the penetration in our market area.

We consider our primary market area to be the Philadelphia suburbs of central and lower Bucks County and Northeast Philadelphia in Pennsylvania and the New Jersey counties of Burlington, Camden, Gloucester, and Mercer. This area has historically benefitted from having a large number of corporate headquarters located within it. The area benefits from having a well-educated employment base and

the diversity provided by a large number of industrial, service, retail and high technology businesses. Other employment is provided by a variety of wholesale trade, manufacturing, federal, state and local governments, hospitals and utilities.

According to the U.S. Census Bureau, as of July 1, 2022, (i) Bucks County had an estimated population of 645,984, representing a 0.1% decrease from April 1, 2020, and a median household income of \$107,826 and (ii) Philadelphia County had an estimated population of 1.6 million, representing a 3.3% decrease from April 1, 2020, and a median household income of \$57,537. In addition, (i) Burlington County had an estimated population of 469,167, representing a 1.6% increase from April 1, 2020, and a median household income of \$102,615, (ii) Camden County had an estimated population of 527,196, representing a 0.7% increase from April 1, 2020, and a median household income of \$82,005, (iii) Gloucester County had an estimated population of 308,423, representing a 2.0% increase from April 1, 2020, and a median household income of \$99,668 and (iv) Mercer County had an estimated population of 381,671, representing a 1.5% decrease from April 1, 2020, and a median household income of \$92,697. As of July 1, 2022, the median household income in the United States was \$75,149.

As of June 2024, the unemployment rate in Bucks and Philadelphia Counties totaled 3.2% and 4.7%, respectively, and the unemployment rate in Burlington, Camden, Gloucester, and Mercer Counties totaled 4.2%, 5.1%, 4.6%, and 4.4%, respectively, as compared to a national unemployment rate of 4.3% for June 2024.

Competition

We face significant competition for the attraction of deposits and origination of loans. Our most direct competition for deposits and loans has historically come from the numerous national, regional and local community financial institutions operating in our market area, including a number of independent banks and credit unions, in addition to other financial service companies, such as brokerage firms, mortgage companies and mortgage brokers. In addition, we face competition for investors' funds from money market funds and other corporate and government securities. Competition for loans also comes from the increasing number of non-depository financial service companies entering the mortgage and consumer credit market, such as financial technology companies, securities companies and specialty finance companies. We believe that our long-standing presence in Bucks County, Southern and Central New Jersey, and Northeast Philadelphia, and our personal service philosophy enhance our ability to compete favorably in attracting and retaining individual and business customers. We actively solicit deposit-related customers and compete for deposits by offering customers personal attention, professional service and competitive interest rates.

Lending Activities

Our loan portfolio consists primarily of one- to four-family residential mortgage loans, one- to four-family investor commercial real estate loans, and commercial non-residential real estate loans. Our loan portfolio also includes multi-family residential loans, home equity loans and lines of credit, residential construction, commercial business, commercial construction and land and consumer loans. Substantially all of our loans are secured by properties located within our local markets.

One- to Four-Family Residential Loans. One of our primary lending activities is the origination of mortgage loans to enable borrowers to purchase or refinance existing homes in our market area. Such loans totaled \$127.9 million, or 27.0% of our total loan portfolio, at June 30, 2024.

We offer fixed-rate and adjustable-rate mortgage loans with terms up to 30 years. Borrower demand for adjustable-rate loans rather than fixed-rate loans is a function of the level of interest rates, the expectations of changes in the level of interest rates, the difference between the interest rates and loan fees offered for fixed-rate mortgage loans and the initial period interest rates and loan fees for adjustable-rate loans. The relative amount of fixed-rate mortgage loans (as opposed to adjustable interest rates) and adjustable-rate mortgage loans that can be originated or purchased at any time is largely determined by the demand for each in a competitive environment and the effect each has on our interest rate risk. The loan fees charged, interest rates, and other provisions of mortgage loans are determined by us on the basis of our own pricing criteria and competitive market conditions.

We offer fixed-rate loans with terms of either 10, 15, 20 or up to 30 years. Our adjustable-rate mortgage loans are also based on a 10, 15, 20 or up to 30 year amortization schedule. Interest rates and payments on our adjustable-rate mortgage loans adjust every three, five, seven or ten years. Interest rates and payments on our adjustable-rate loans generally are adjusted to a rate that is based on the respective three, five, seven or ten year monthly Constant Maturity U.S. Treasury indices.

Throughout the low interest rate environment that extended through 2021, borrowers generally preferred fixed-rate loans. However, due to the recent rise in interest rate levels in 2022 and 2023, borrowers generally currently prefer our adjustable-rate loan products. We anticipate that an increase in adjustable-rate loans would allow us to better offset the adverse effects on our net interest income of an

increase in interest rates as compared to fixed-rate mortgages. The increased mortgage payments required under adjustable-rate loans in a rising interest rate environment, however, could cause an increase in delinquencies and defaults. The marketability of the underlying property also may be adversely affected in a high interest rate environment. In addition, although adjustable-rate mortgage loans help make our asset base more responsive to changes in interest rates, the extent of this interest rate sensitivity is limited by the annual and lifetime interest rate adjustment limits.

While one- to four-family residential real estate loans are normally originated with up to 30-year terms, such loans typically remain outstanding for substantially shorter periods because borrowers often prepay their loans in full upon sale of the property pledged as security or upon refinancing the original loan. Therefore, average loan maturity is a function of, among other factors, the level of purchase and sale activity in the real estate market, prevailing interest rates and the interest rates payable on outstanding loans.

We do not make conventional loans with loan-to-value ratios exceeding 95% and generally limit loan-to-value ratios on our conventional loans to 80%. Loans with loan-to-value ratios in excess of 80% generally require private mortgage insurance, a government guarantee or additional collateral. We require all properties securing mortgage loans to be appraised by licensed independent appraisers from appraisal management companies approved by our board of directors. We require title insurance on all first mortgage loans. Borrowers must obtain hazard insurance and/or flood insurance for loans on property located in a flood zone, before closing the loan.

Our largest one- to four-family residential loan at June 30, 2024 was for \$1.4 million and is secured by a single-family residence located in Mercer County in New Jersey. This loan is performing in accordance with its terms.

One- to Four-Family Investor Commercial Real Estate Loans. One of our other primary lending activities is the origination of loans secured by non-owner occupied one- to four-family residential properties. These borrowers generally include individuals that purchase an investment property to generate rental income. Such loans totaled \$92.3 million, or 19.5% of our total loan portfolio, at June 30, 2024.

We offer fixed-rate and adjustable-rate non-owner occupied one- to four-family commercial real estate loans with terms up to 25 years. Borrower demand for adjustable-rate loans rather than fixed-rate loans is a function of the level of interest rates, the expectations of changes in the level of interest rates, the difference between the interest rates and loan fees offered for fixed-rate mortgage loans and the initial period interest rates and loan fees for adjustable-rate loans. The relative amount of fixed-rate mortgage loans (as opposed to adjustable interest rates) and adjustable-rate mortgage loans that can be originated or purchased at any time is largely determined by the demand for each in a competitive environment and the effect each has on our interest rate risk. The loan fees charged, interest rates, and other provisions of mortgage loans are determined by us on the basis of our own pricing criteria and competitive market conditions.

We offer fixed-rate loans with terms of either 10, 15, 20 or up to 25 years. Our adjustable-rate mortgage loans are also based on a 10, 15, 20 or up to 25 year amortization schedule. Interest rates and payments on our adjustable-rate mortgage loans adjust every three, five, seven or ten years. Interest rates and payments on our adjustable-rate loans generally are adjusted to a rate that is based on the respective three, five, seven or ten year monthly Constant Maturity U.S. Treasury indexes.

Throughout the low interest rate environment that extended through 2021, borrowers generally preferred fixed-rate loans. However, due to the recent rise in interest rate levels in 2022 and 2023, borrowers generally currently prefer our adjustable-rate loan products. We anticipate that adjustable-rate loans would allow us to better offset the adverse effects on our net interest income of an increase in interest rates as compared to fixed-rate mortgages. The increased mortgage payments required under adjustable-rate loans in a rising interest rate environment, however, could cause an increase in delinquencies and defaults. The marketability of the underlying property also may be adversely affected in a high interest rate environment. In addition, although adjustable-rate mortgage loans help make our asset base more responsive to changes in interest rates, the extent of this interest rate sensitivity is limited by the annual and lifetime interest rate adjustment limits.

While non-owner occupied one- to four-family commercial real estate loans are normally originated with up to 25-year terms, such loans typically remain outstanding for substantially shorter periods because borrowers often prepay their loans in full upon sale of the property pledged as security or upon refinancing the original loan. Therefore, average loan maturity is a function of, among other factors, the level of purchase and sale activity in the real estate market, prevailing interest rates and the interest rates payable on outstanding loans.

Loans secured by non-owner occupied properties generally expose a lender to greater risk of non-payment and loss than loans secured by owner occupied properties because repayment of such loans depend primarily on the tenant's continuing ability to pay rent to the property owner, who is our borrower, or, if the property owner is unable to find a tenant, the property owner's ability to repay the loan without the benefit of a rental income stream. In reaching a decision on whether to originate a non-owner occupied one- to four-family residential real estate loan, we consider the net operating income of the property, the borrower's credit history and profitability, and the value of the underlying property.

Our largest one- to four-family investor commercial real estate loan at June 30, 2024 was for \$5.4 million and is secured by fifty-five single-family and multi-family properties located in southern New Jersey. This loan is performing in accordance with its terms.

Non-Residential Real Estate and Multi-Family Loans. Another one of our other primary lending activities is the origination of fixed rate and adjustable-rate mortgage loans secured by commercial real estate, multi-family residential real estate and land. Our non-residential and multi-family real estate loans are generally secured by office buildings, retail and mixed-use properties, condominiums, apartment buildings, single-family subdivisions and owner-occupied properties used for businesses. At June 30, 2024, our commercial and multi-family real estate loan portfolio totaled \$174.1 million, or 36.7% of our total loan portfolio, and commercial real estate loans secured by office space totaled \$10.8 million, or 2.3% of our total loan portfolio.

We originate multi-family and non-residential real estate loans with terms generally up to 25 years. Interest rates and payments on adjustable-rate loans adjust every one, three, five and ten years. Interest rates and payments on our adjustable-rate loans generally are adjusted to a rate typically equal to the interest rate used for one-to four-family loan products, plus a spread based on creditworthiness and risk. Loan amounts generally do not exceed 80% of the appraised value for well-qualified borrowers.

Loans secured by multi-family residential and non-residential real estate generally have larger balances and involve a greater degree of risk than one- to four-family residential mortgage loans. Of primary concern in multi-family residential and non-residential real estate lending is the borrower's creditworthiness and the feasibility and cash flow potential of the project. Payments on loans secured by income producing properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be subject, to a greater extent than residential real estate loans, to adverse conditions in the real estate market or the economy. In reaching a decision on whether to make a multi-family residential or non-residential real estate loan, we consider the net operating income of the property, the borrower's expertise, credit history and profitability, and the value of the underlying property.

Non-residential real estate 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. Shared national credit loans are typically variable rate with terms ranging from one to seven years. 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.

Our largest non-residential real estate loan at June 30, 2024 was for \$12.5 million, of which \$10.9 million was disbursed and outstanding. This loan is secured by a shopping center located in Mercer County in New Jersey and is performing in accordance with its terms.

Home Equity Loans and Lines of Credit. We offer home equity loans and lines of credit, which have adjustable rates of interest that are indexed to the prime rate as published in The Wall Street Journal for terms of up to 20 years. These loans are originated with maximum loan-to-value ratios of 80% of the appraised value of the property, and we require that we have a second lien position on the property. We also offer secured and unsecured lines of credit for well-qualified individuals and small businesses. Management includes these loans based on the collateral supporting the line of credit in either the non-residential, multi-family, commercial or one-to-four family categories for the purposes of monitoring and evaluating the portfolio. At June 30, 2024, such loans totaled \$30.8 million, or 6.5% of our total loan portfolio.

Residential and Commercial Construction Loans and Land Loans. We originate (i) residential construction loans to individuals that finance the construction of owner-occupied residential dwellings for personal use, which we classify within our residential real estate loan portfolio, (ii) commercial construction loans for the development of projects including non-owner occupied residential dwellings, condominiums, apartment buildings, single-family subdivisions, single-family investor loans, as well as owner-occupied properties used for business, which we classify within our commercial real estate loan portfolio and (iii) commercial land loans for the purchase and development of raw land.

Our residential construction loans generally provide for the payment of interest only during the construction phase, which can be up to 18 months. We also require periodic inspections of the property during the term of the construction. At the end of the construction phase,

substantially all of our loans automatically convert to permanent mortgage loans. Construction loans generally can be made with a maximum loan to value ratio of 80% of the appraised value with maximum terms of 30 years. Our residential construction loans totaled \$8.8 million, or 1.9% of our total loan portfolio, at June 30, 2024. At June 30, 2024, our largest outstanding residential construction loan was for \$2.6 million, of which \$1.7 million was disbursed and outstanding, and related to the construction of residential housing located in Monmouth County in New Jersey. This loan is performing in accordance with its terms.

Our construction loans may include loans for the development of real estate for a variety of projects and properties. Generally, the owner's equity must be injected upfront prior to the Bank advancing funds. Interest rates for the construction projects will generally be variable with a lifetime floor, but may be fixed if approved by the appropriate lending authority. Generally, our commercial construction loans provide for payment of interest only during the construction phase and may, in the case of an apartment or commercial building, convert to a permanent mortgage loan upon the completion of construction. In the case of a single-family subdivision or construction or builder loan, as individual lots are sold, the principal balance is reduced by agreed upon release prices at the outset of the loan sufficient to liquidate the loan prior to the final sale. In the case of a commercial construction loan, the construction period may be from nine months to three years. Construction loans are generally made with a maximum of 75% loan-to-value, a maximum 75% loan-to-cost, and a requirement that guarantors own over 10% of the collateral underlying the loan. We also require periodic inspections of the property during the term of the construction loan. The Bank requires a minimum debt service coverage ratio of 1.25X on a stand-alone basis upon conversion to permanent financing.

Raw land loans are done as an exception to policy to accommodate high quality borrowers who demonstrate strong liquidity positions, high income, and high net worth. The Bank only extends credit on raw land loans when the extension of credit can be repaid from the personal income of the borrower/guarantor. Raw land loans are generally made with a maximum of 60% loan-to-value and a maximum 60% loan-to-cost. Approved land loans are generally made with a maximum of 65% loan-to-value and a maximum 65% loan-to-cost. Generally, land loans have a maximum term of two years and require guarantors that own over 10% of the collateral underlying the loan. In addition, the land loans in our portfolio are adjustable-rate loans with adjustments occurring every three and five years, based on the original contract. Interest rate adjustments are based on the Constant Maturity U.S. Treasury indexes plus a spread. Our adjustable-rate land loans in generally have an interest rate floor.

Our commercial construction and land loans totaled \$22.7 million, or 4.8% of our total loan portfolio, at June 30, 2024 and were comprised of \$20.7 million in commercial construction loans and \$2.0 million in land loans at that date. At June 30, 2024, our largest outstanding commercial construction and land loan was a commercial land loan for \$10.5 million for a commercial development project in Somerset County in New Jersey. This loan is performing in accordance with its terms.

Commercial Business Loans. These loans consist of operating lines of credit secured by general business assets and equipment. The operating lines of credit are generally short term in nature with interest rates tied to short-term rates and adjustments occurring daily, monthly, or quarterly based on the original contract. For adjustable loans, there is also an interest rate floor. The equipment loans are typically made with maturities of less than five years and are priced with a fixed interest rate. Longer repayments of up to 15 years can be made depending on the useful life of the equipment being financed. Generally, rates are fixed for not longer than five years and will reset, generally based on the Constant Maturity U.S. Treasury indexes plus a spread, if the amortization or maturity of the loan is longer. At June 30, 2024, such loans totaled \$15.1 million, or 3.2% of our total loan portfolio. At June 30, 2024, our largest outstanding commercial business loan was for \$5.0 million, of which \$4.9 million was disbursed and outstanding, for the commercial headquarters of an office furniture manufacturer located in Pennsauken Township, New Jersey. This loan is performing in accordance with its terms.

Consumer Loans. In the past, we have offered a variety of consumer loans, which include student, automobile and personal secured and unsecured loans to our customer base. However, we no longer offer student or automobile loans to customers. At June 30, 2024, consumer loans totaled \$1.9 million, or 0.4% of our total loan portfolio.

Consumer loans may entail greater risk than do residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly. In such cases, repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan and the remaining deficiency often does not warrant further substantial collection efforts against the borrower. In addition, consumer loan collections depend on the borrower's continuing financial stability, and therefore are more likely to be adversely affected by job loss, divorce, illness, or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws may limit the amount which can be recovered on such loans.

Loan Origination, Purchases and Sales. Loan originations come from a number of sources. The primary source of loan originations are our in-house loan originators, and to a lesser extent, advertising and referrals from customers and local realtors. Historically, we have primarily originated our own loans and retained them in our portfolio. However, we also occasionally purchase loans or

participation interests in loans. As of June 30, 2024, we had an aggregate of \$13.3 million in purchased loan participations outstanding. Loan participations are subject to the same credit analysis and approvals as loans we originate. We are permitted to review all of the documentation relating to any loan in which we participate. However, for participation loans, we do not service the loan and, thus, are subject to the policies and procedures of the lead lender with regard to monitoring delinquencies, pursuing collections and instituting foreclosure proceedings.

We also occasionally sell some of the longer-term fixed-rate one-to-four family mortgage loans that we originate in the secondary market based on prevailing market interest rate conditions, an analysis of the composition and risk of the loan portfolio, liquidity needs and interest rate risk management goals. Generally, loans are sold with recourse and with servicing retained. We did not sell any loans during the years ended June 30, 2024 and 2023. We occasionally sell participation interests in loans and may sell loan participations in the future.

Loan Approval Procedures and Authority. Our lending activities follow written, non-discriminatory underwriting standards and loan origination procedures established by our board of directors and management.

With respect to residential and consumer loans, loans with a total loan commitment of less than \$250,000 may be approved by the loan's residential underwriter, as well as one of the following individuals: the Assistant Vice President of Residential Lending and the Vice President of Residential Lending. Loans with a total loan commitment of between \$250,000 to \$1,000,000 must be approved by (i) the Assistant Vice President of Residential Lending or the Vice President of Residential Lending, and (ii) either our Director of Loan Servicing, Chief Retail Officer, Chief Lending Officer or Chief Executive Officer. Loans with a total loan commitment of between \$1,000,000 and \$2,000,000 must be approved by a majority vote from our Officers' Loan Committee, which consists of our Chief Executive Officer, Chief Lending Officer, Chief Financial Officer, Chief Operating Officer, Chief Retail Officer, and Director of Loan Servicing. Loans with a total loan commitment in excess of \$2,000,000, and up to our legal lending limit, must be approved by majority vote from our Directors' Loan Committee, which consists of our entire board of directors.

With respect to commercial loans, loans with a total loan commitment of up to \$1,000,000 (and unsecured lines or letters of credit with total loan commitments of up to \$500,000) may be approved by the originating loan officer as well as either our Chief Lending Officer or Chief Executive Officer. Loans with a total loan commitment of between \$1,000,000 and \$5,000,000 (and unsecured lines or letters of credit with total loan commitments of between \$500,000 and \$4,000,000) must generally be approved by majority vote from our Officers' Loan Committee, and loans with a total loan commitment in excess of \$5,000,000 (or \$4,000,000 for unsecured lines or letters of credit) must be approved by a majority vote from our Directors' Loan Committee.

Loans to One Borrower. The maximum amount that we may lend to one borrower and the borrower's related entities is limited by statute to generally 15% of our stated capital and reserves. At June 30, 2024, our regulatory lending maximum was \$18.2 million. The Bank's internal lending limits are lower than the levels permitted by regulation and at June 30, 2024, the total exposure with our largest lending relationship was \$12.9 million, which is the total amount outstanding and committed for three commercial construction loans.

Loan Commitments. We issue commitments for fixed-rate and adjustable-rate mortgage loans conditioned upon the occurrence of certain events. Commitments to originate mortgage loans are legally binding agreements to lend to our customers and generally expire in 30 days.

Delinquencies. When a borrower fails to make a required loan payment, we take a number of steps to have the borrower cure the delinquency and restore the loan to current status. We generally make initial contact with the borrower when the loan becomes ten to fifteen days past due. Generally, if payment is not received by the 30th day of delinquency, additional letters are sent and phone calls generally are made to the customer. When the loan becomes 120 days past due, we generally commence foreclosure proceedings against any real property that secures the loan or attempt to repossess any personal property that secures a consumer loan. If a foreclosure action is instituted and the loan is not brought current, paid in full, or refinanced before the foreclosure sale, the real property securing the loan generally is sold at foreclosure. We may consider loan workout arrangements with certain borrowers under certain circumstances. Management informs the board of directors on a monthly basis of the amount of loans delinquent more than 30 days, all loans in foreclosure and all foreclosed and repossessed property that we own.

Investment Activities

We have legal authority to invest in various types of liquid assets, including, but not limited to, mortgage-backed securities, securities of various federal agencies and of state and municipal governments, subordinated debt and certificates of deposit of federally insured institutions. At June 30, 2024, our investment portfolio consisted primarily of mortgage-backed securities issued by Fannie Mae, Freddie

Mac or Gennie Mae with stated final maturities of 30 years or less, municipal securities with maturities of 20 years or less, corporate bonds, and preferred stock.

Our investment objectives are to provide and maintain liquidity, to maintain a balance of high quality, diversified investments to minimize risk, to provide collateral for pledging requirements, to establish an acceptable level of interest rate risk, to provide an alternate source of low-risk investments when demand for loans is weak and to generate a favorable return. Our board of directors has the overall responsibility for our investment portfolio, including approval of our investment policy. Our Chief Operating Officer is the designated investment officer and is responsible for the daily investment activities and is authorized to make investment decisions consistent with our investment policy.

Deposit Activities and Other Sources of Funds

General. Deposits and loan repayments are the major sources of our funds for lending and other investment activities. Loan repayments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are significantly influenced by general interest rates and market conditions.

Deposit Accounts. The vast majority of our depositors are residents of Southeastern Pennsylvania and Southern and Central New Jersey. Deposits are raised primarily from within our primary market area through the offering of a broad selection of deposit instruments, including checking accounts, money market accounts, regular savings accounts, club savings accounts, certificate accounts and various retirement accounts. Deposit account terms vary according to the minimum balance required, the time periods the funds must remain on deposit, and the interest rate among other factors. In determining the terms of our deposit accounts, we consider the rates offered by our competition, profitability to us, matching deposit and loan products and customer preferences and concerns. We generally review our deposit mix and pricing weekly. Our current strategy is to offer competitive rates, but not be the market leader in every type and maturity.

Borrowings. If necessary, we borrow from the Federal Home Loan Bank (“FHLB”) of Pittsburgh to supplement our supply of lendable funds and to meet deposit withdrawal requirements. The FHLB functions as a central reserve bank providing credit for member financial institutions. As a member, 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 that are obligations of, or guaranteed by, the United States), provided certain standards related to credit-worthiness have been met. Advances are made under several different programs, each having its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based either on a fixed percentage of an institution’s net worth or on the FHLB assessment of the institution’s creditworthiness. Under its current credit policies, the FHLB generally limits advances to 25% of a member’s assets, and short-term borrowings of less than one year may not exceed 10% of the institution’s assets. The FHLB determines specific lines of credit for each member institution. There were \$48.0 million of FHLB advances outstanding at June 30, 2024. At June 30, 2024, we had the ability to borrow an additional \$234.0 million from the Federal Home Loan Bank of Pittsburgh. In addition, as of June 30, 2024, we had \$10.0 million of available credit from Atlantic Community Bankers Bank to purchase federal funds and we had \$3.6 million of available credit from the Federal Reserve Bank.

Personnel

At June 30, 2024, we had 90 full-time employees and two part-time employees, none of whom is represented by a collective bargaining unit. We believe our relationship with our employees is good.

Subsidiaries

The Company’s only direct subsidiary is the Bank. The Bank has one wholly owned subsidiary, WPSLA. WPSLA is a Delaware corporation organized in April 2000 to hold certain investment securities for the Bank. At June 30, 2024, WPSLA held \$235.4 million of the Bank’s \$243.8 million securities portfolio.

REGULATION AND SUPERVISION

General

The Bank is a Pennsylvania-chartered stock savings bank. The Bank’s deposits are insured up to applicable limits by the Federal Deposit Insurance Corporation (“FDIC”). The Bank is subject to extensive regulation by the Pennsylvania Department of Banking and Securities, as its chartering agency, and by the FDIC, as its primary federal regulator. The Bank is required to file reports with, and is periodically examined by, the FDIC and the Pennsylvania Department of Banking and Securities, concerning its activities and financial condition

and must obtain regulatory approvals prior to entering into certain transactions, including, but not limited to, mergers with or acquisitions of other financial institutions. The Bank is a member of the FHLB of Pittsburgh.

The regulation and supervision of the Bank establish a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of depositors and borrowers and, for purposes of the FDIC, the protection of the insurance fund. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate credit loss reserves for regulatory purposes.

As a bank holding company, the Company must comply with the rules and regulations of the Federal Reserve Board and file certain reports with the Federal Reserve Board and is subject to examination by and the enforcement authority of the Federal Reserve Board. The Company is also subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws.

Any change in applicable laws or regulations, whether by the Pennsylvania Department of Banking and Securities, the FDIC, the Federal Reserve Board, the Commonwealth of Pennsylvania or Congress, could have a material adverse impact on the operations and financial performance of the Company and the Bank. In addition, the Company and the Bank will be affected by the monetary and fiscal policies of various agencies of the United States Government, including the Federal Reserve Board. In view of changing conditions in the national economy and in the money markets, it is impossible for management to accurately predict future changes in monetary policy or the effect of such changes on the business or financial condition of the Company and the Bank.

Set forth below is a brief description of material regulatory requirements that are or will be applicable to the Company and the Bank. The description is limited to certain material aspects of the statutes and regulations addressed, and is not intended to be a complete description of such statutes and regulations and their effects on the Company and the Bank.

Bank Regulation

Pennsylvania Savings Bank Law. The Pennsylvania Banking Code of 1965, as amended, contains detailed provisions governing the organization, location of offices, rights and responsibilities of directors, officers and employees, as well as corporate powers, savings and investment operations and other aspects of the Bank and its affairs. The Pennsylvania Banking Code delegates extensive rule-making power and administrative discretion to the Pennsylvania Department of Banking and Securities so that the supervision and regulation of state-chartered savings banks may be flexible and readily responsive to changes in economic conditions and in savings and lending practices. Specifically, under the Pennsylvania Banking Code, the Pennsylvania Department of Banking and Securities is given the authority to exercise such supervision over state-chartered savings banks as to afford the greatest safety to creditors, stockholders and depositors, ensure business safety and soundness, conserve assets, protect the public interest and maintain public confidence in such institutions.

The Pennsylvania Banking Code provides, among other powers, that state-chartered savings banks may engage in any activity permissible for a national banking association or federal savings association, subject to regulation by the Pennsylvania Department of Banking and Securities (which shall not be more restrictive than the regulation imposed upon a national banking association or federal savings association, respectively). Before it engages in an activity allowable for a national banking association or federal savings association, a state-chartered savings bank must either obtain prior approval from the Pennsylvania Department of Banking and Securities or provide at least 30 days' prior written notice to the Pennsylvania Department of Banking and Securities. The authority of the Bank under Pennsylvania law, however, may be constrained by federal law and regulation.

Capital Requirements. Federal regulations require FDIC-insured depository institutions to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio of 4.5%, a Tier 1 capital to risk-based assets ratio of 6.0%, a total capital to risk-based assets ratio of 8.0%, and a Tier 1 capital to average assets leverage ratio of 4.0%.

For purposes of the regulatory capital requirements, common equity Tier 1 capital is generally defined as common stockholders' equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and additional Tier 1 capital. Additional Tier 1 capital includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus, meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions that made such an election regarding the treatment of accumulated other comprehensive income ("AOCI"), up to 45% of net unrealized gains on available for sale equity securities with readily determinable fair market values. Institutions that have not

exercised the AOCI opt-out have AOCI incorporated into common equity Tier 1 capital (including unrealized gains and losses on available for sale-securities). The Bank exercised the opt-out and therefore does not include AOCI in its regulatory capital determinations. Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, all assets, including certain off-balance sheet assets (such as recourse obligations, direct credit substitutes, residual interests) are multiplied by a risk weight factor assigned by the regulations based on the risks believed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. For example, a risk weight of 0% is assigned to cash and U.S. government securities, a risk weight of 50% is generally assigned to prudently underwritten first lien one to four- family residential mortgages, a risk weight of 100% is assigned to commercial and consumer loans, a risk weight of 150% is assigned to certain past due loans and a risk weight of between 0% to 600% is assigned to permissible equity interests, depending on certain specified factors.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a “capital conservation buffer” consisting of 2.5% of common equity Tier 1 capital to risk-weighted asset above the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement began being phased in starting on January 1, 2016 at 0.625% of risk-weighted assets and increased each year until fully implemented at 2.5% on January 1, 2019. At June 30, 2024, the Bank exceeded the fully phased in regulatory requirement for the capital conservation buffer.

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% 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% for the second through fourth quarters of calendar year 2020, greater than 8.5% for calendar year 2021, and greater than 9% 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. The Bank has elected to adopt the community bank leverage ratio framework. Management believes, as of June 30, 2024, that the Bank meets all capital adequacy requirements to which it is subject.

The Federal Deposit Insurance Corporation Improvement Act required each federal banking agency to revise its risk-based capital standards for insured institutions to ensure that those standards take adequate account of interest-rate risk, concentration of credit risk, and the risk of nontraditional activities, as well as to reflect the actual performance and expected risk of loss on multi-family residential loans. The FDIC, along with the other federal banking agencies, adopted a regulation providing that the agencies will consider the exposure of a bank’s capital and economic value to changes in interest rate risk in assessing a bank’s capital adequacy. The FDIC also has authority to establish individual minimum capital requirements in appropriate cases upon determination that an institution’s capital level is, or is likely to become, inadequate in light of the particular circumstances.

Standards for Safety and Soundness. As required by statute, the federal banking agencies adopted final regulations and Interagency Guidelines Establishing Standards for Safety and Soundness to implement safety and soundness standards. The guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. The guidelines address internal controls and information systems, internal audit system, credit underwriting, loan documentation, interest rate exposure, asset growth, asset quality, earnings and compensation, fees and benefits. The agencies have also established standards for safeguarding customer information. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard.

Investments and Activities. Under federal law, all state-chartered banks insured by the FDIC have generally been limited to activities as principal and equity investments of the type and in the amount authorized for national banks, notwithstanding state law. The Federal Deposit Insurance Corporation Improvement Act and the FDIC permit exceptions to these limitations. For example, state chartered banks may, with FDIC approval, continue to exercise grandfathered state authority to invest in common or preferred stocks listed on a national securities exchange and in the shares of an investment company registered under federal law. The Bank received grandfathering authority from the FDIC to invest in listed stocks and/or registered shares. The maximum permissible investment is 100% of Tier 1 capital, as specified by the FDIC’s regulations, or the maximum amount permitted by Pennsylvania Banking Code of 1965, whichever is less. Such grandfathering authority may be terminated upon the FDIC’s determination that such investments pose a safety and

soundness risk to the Bank or if the Bank converts its charter or undergoes a change in control. In addition, the FDIC is authorized to permit such institutions to engage in other state authorized activities or investments (other than non-subsidiary equity investments) that meet all applicable capital requirements if it is determined that such activities or investments do not pose a significant risk to the Deposit Insurance Fund. As of June 30, 2024, the Bank held no marketable equity securities under such grandfathering authority.

Interstate Banking and Branching. Federal law permits well capitalized and well managed bank holding companies to acquire banks in any state, subject to Federal Reserve Board approval, certain concentration limits and other specified conditions. Interstate mergers of banks are also authorized, subject to regulatory approval and other specified conditions. In addition, amendments made by the Dodd-Frank Act permit banks to establish de novo branches on an interstate basis to the extent that branching is authorized by the law of the host state for the banks chartered by that state.

Prompt Corrective Regulatory Action. Federal law requires, among other things, that federal bank regulatory authorities take “prompt corrective action” with respect to banks that do not meet minimum capital requirements. For these purposes, the law establishes five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

The FDIC has adopted regulations to implement the prompt corrective action legislation. An institution is deemed to be “well capitalized” if it has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or greater and a common equity Tier 1 ratio of 6.5% or greater. An institution is “adequately capitalized” if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 4.0% or greater and a common equity Tier 1 ratio of 4.5% or greater. An institution is “undercapitalized” if it has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a leverage ratio of less than 4.0% or a common equity Tier 1 ratio of less than 4.5%. An institution is deemed to be “significantly undercapitalized” if it has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a leverage ratio of less than 3.0% or a common equity Tier 1 ratio of less than 3.0%. An institution is considered to be “critically undercapitalized” if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2.0%. As of June 30, 2024, the Bank was a “well capitalized” institution under the FDIC regulations.

At each successive lower capital category, an insured depository institution is subject to more restrictions and prohibitions, including restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on payment of dividends, and restrictions on the acceptance of brokered deposits. Furthermore, if an insured depository institution is classified in one of the undercapitalized categories, it is required to submit a capital restoration plan to the appropriate federal banking agency, and the holding company must guarantee the performance of that plan. Based upon its capital levels, a bank that is classified as well-capitalized, adequately capitalized, or undercapitalized may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition, or an unsafe or unsound practice, warrants such treatment. An undercapitalized bank’s compliance with a capital restoration plan is required to be guaranteed by any company that controls the undercapitalized institution in an amount equal to the lesser of 5.0% of the institution’s total assets when deemed undercapitalized or the amount necessary to achieve the status of adequately capitalized. If an “undercapitalized” bank fails to submit an acceptable plan, it is treated as if it is “significantly undercapitalized.” “Significantly undercapitalized” banks must comply with one or more of a number of additional restrictions, including but not limited to an order by the FDIC to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, cease receipt of deposits from correspondent banks or dismiss directors or officers, and restrictions on interest rates paid on deposits, compensation of executive officers and capital distributions by the parent holding company. “Critically undercapitalized” institutions are subject to additional measures including, subject to a narrow exception, the appointment of a receiver or conservator within 270 days after it obtains such status.

The previously referenced regulations establishing a “community bank leverage ratio” adjusted the referenced categories for qualifying institutions that opt into the alternative framework for regulatory capital requirements. Institutions that exceed the community bank leverage ratio are considered to have met the capital ratio requirements to be “well capitalized” for the agencies’ prompt corrective rules.

Transaction with Affiliates and Regulation W of the Federal Reserve Regulations. Transactions between banks and their affiliates are governed by federal law. An affiliate of a bank is any company or entity that controls, is controlled by or is under common control with the bank. In a holding company context, the parent bank holding company and any companies which are controlled by such parent holding company are affiliates of the bank (although subsidiaries of the bank itself, except financial subsidiaries, are generally not considered affiliates). Generally, Section 23A of the Federal Reserve Act and the Federal Reserve Board’s Regulation W limit the extent to which the bank or its subsidiaries may engage in “covered transactions” with any one affiliate to an amount equal to 10.0% of such institution’s capital stock and surplus, and with all such transactions with all affiliates to an amount equal to 20.0% of such institution’s capital stock and surplus. Section 23B applies to “covered transactions” as well as to certain other transactions and requires that all such transactions be on terms substantially the same, or at least as favorable, to the institution or subsidiary as those provided to a non-

affiliate. The term “covered transaction” includes the making of loans to, purchase of assets from, and issuance of a guarantee to an affiliate, and other similar transactions. Section 23B transactions also include the provision of services and the sale of assets by a bank to an affiliate. In addition, loans or other extensions of credit by the financial institution to the affiliate are required to be collateralized in accordance with the requirements set forth in Section 23A of the Federal Reserve Act.

Sections 22(h) and (g) of the Federal Reserve Act place restrictions on loans to a bank’s insiders, i.e., executive officers, directors and principal stockholders. Under Section 22(h) of the Federal Reserve Act, loans to a director, an executive officer and to a greater than 10.0% stockholder of a financial institution, and certain affiliated interests of these, together with all other outstanding loans to such person and affiliated interests, may not exceed specified limits. Section 22(h) of the Federal Reserve Act also requires that loans to directors, executive officers and principal stockholders be made on terms and conditions substantially the same as offered in comparable transactions to persons who are not insiders and also requires prior board approval for certain loans. In addition, the aggregate amount of extensions of credit by a financial institution to insiders cannot exceed the institution’s unimpaired capital and surplus. Section 22(g) of the Federal Reserve Act places additional restrictions on loans to executive officers.

Enforcement. The FDIC has extensive enforcement authority over insured state chartered savings banks, including the Bank. The enforcement authority includes, among other things, the ability to assess civil money penalties, issue cease and desist orders and remove directors and officers. In general, these enforcement actions may be initiated in response to violations of laws and regulations, breaches of fiduciary duty and unsafe or unsound practices.

Federal Insurance of Deposit Accounts. The Bank is a member of the Deposit Insurance Fund, which is administered by the FDIC. Deposit accounts in the Bank are insured up to a maximum of \$250,000 for each separately insured depositor.

The FDIC imposes an assessment for deposit insurance on all depository institutions. Under the FDIC’s risk-based assessment system, insured institutions are assigned to risk categories based on supervisory evaluations, regulatory capital levels and certain other factors. An institution’s assessment rate depends upon the category to which it is assigned, and certain adjustments specified by FDIC regulations, with less risky institutions paying lower rates. Assessment rates (inclusive of possible adjustments) for most banks with less than \$10 billion of assets currently range from 1 1/2 to 30 basis points of each institution’s total assets less tangible capital. The FDIC may increase or decrease the scale uniformly, except that no adjustment can deviate more than two basis points from the base scale without notice and comment rulemaking. The FDIC’s current system represents a change, required by the Dodd-Frank Act, from its prior practice of basing the assessment on an institution’s volume of deposits.

The Dodd-Frank Act increased the minimum target Deposit Insurance Fund ratio from 1.15% of estimated insured deposits to 1.35% of estimated insured deposits. The FDIC was required to seek to achieve the 1.35% ratio by September 30, 2020. Insured institutions with assets of \$10 billion or more were supposed to fund the increase. The FDIC indicated in November 2018 that the 1.35% ratio was exceeded. Insured institutions of less than \$10 billion of assets were to receive credits for the portion of their assessments that contributed to raising the reserve ratio between 1.15% and 1.35% effective when the fund rate achieves 1.38%. The Dodd-Frank Act eliminated the 1.5% maximum fund ratio, instead leaving it to the discretion of the FDIC and the FDIC has exercised that discretion by establishing a long range fund ratio of 2%.

The FDIC has authority to increase insurance assessments. A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of the Bank. Future insurance assessment rates cannot be predicted. In October 2022, the FDIC Board adopted a final rule to increase initial base deposit insurance assessment rate schedules by two basis points beginning in the first quarterly assessment period of 2023. The adoption of this final rule increased the Bank’s annual deposit insurance premium by approximately \$144 thousand.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule order or regulatory condition imposed in writing. We do not know of any practice, condition or violation that might lead to termination of deposit insurance.

Privacy Regulations. FDIC regulations generally require that the Bank disclose its privacy policy, including identifying with whom it shares a customer’s “non-public personal information,” to customers at the time of establishing the customer relationship and annually thereafter. In addition, the Bank is required to provide its customers with the ability to “opt-out” of having their personal information shared with unaffiliated third parties and not to disclose account numbers or access codes to non-affiliated third parties for marketing purposes. The Bank currently has a privacy protection policy in place and believes that such policy is in compliance with the regulations.

Community Reinvestment Act. Under the Community Reinvestment Act, or CRA, as implemented by FDIC regulations, a non-member bank has a continuing and affirmative obligation, consistent with its safe and sound operation, to help meet the credit needs of its entire

community, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions, nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA does require the FDIC, in connection with its examination of a non-member bank, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution, including applications to acquire branches and other financial institutions. The CRA requires the FDIC to provide a written evaluation of an institution's CRA performance utilizing a four-tiered descriptive rating system. The Bank's latest FDIC CRA rating was "Satisfactory."

Consumer Protection and Fair Lending Regulations. Pennsylvania savings banks are subject to a variety of federal statutes and regulations that are intended to protect consumers and prohibit discrimination in the granting of credit. These statutes and regulations provide for a range of sanctions for non-compliance with their terms, including imposition of administrative fines and remedial orders, and referral to the Attorney General for prosecution of a civil action for actual and punitive damages and injunctive relief. Certain of these statutes authorize private individual and class action lawsuits and the award of actual, statutory and punitive damages and attorneys' fees for certain types of violations.

USA PATRIOT Act. The Bank is subject to the USA PATRIOT Act, which gave federal agencies additional powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing, and broadened anti-money laundering requirements. By way of amendments to the Bank Secrecy Act, Title III of the USA PATRIOT Act provided measures intended to encourage information sharing among bank regulatory agencies and law enforcement bodies. Further, certain provisions of Title III impose affirmative obligations on a broad range of financial institutions, including banks, thrifts, brokers, dealers, credit unions, money transfer agents, and parties registered under the Commodity Exchange Act.

Other Regulations

Interest and other charges collected or contracted for by the Bank are subject to state usury laws and federal laws concerning interest rates. Loan operations are also subject to state and federal laws applicable to credit transactions, such as the:

- Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act of 1978, governing the use and provision of information to credit reporting agencies; and
- Rules and regulations of the various federal and state agencies charged with the responsibility of implementing such federal and state laws.

The deposit operations of the Bank also are subject to, among others, the:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;
- Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check; and
- Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services.

Federal Reserve System

The Federal Reserve Act authorizes the Federal Reserve Board to require depository associations to maintain noninterest-earning reserves against their transaction accounts (primarily negotiable order of withdrawal and regular checking accounts). The amounts are adjusted annually and, on March 15, 2020, the Federal Reserve Board reduced reserve requirement to 0% effective as of March 26, 2020, which eliminated reserve requirements for all depository institutions.

Federal Home Loan Bank System

The Bank is a member of the FHLB System, which consists of 12 regional Federal Home Loan Banks. The FHLB provides a central credit facility primarily for member institutions. At June 30, 2024, the Bank had a maximum borrowing capacity from the FHLB of Pittsburgh of \$287.3 million, of which it had \$48.0 million in outstanding borrowings. The Bank, as a member of the FHLB of Pittsburgh, is required to acquire and hold shares of capital stock in that FHLB. The Bank was in compliance with requirements for the FHLB of Pittsburgh with an investment of \$2.8 million at June 30, 2024.

Holding Company Regulation

The Company is subject to examination, regulation, and periodic reporting under the Bank Holding Company Act of 1956, as amended, as administered by the Federal Reserve Board. The Company is required to obtain the prior approval of the Federal Reserve Board to acquire all, or substantially all, of the assets of any bank or bank holding company. Prior Federal Reserve Board approval would be required for the Company to acquire direct or indirect ownership or control of any voting securities of any bank or bank holding company if, after such acquisition, it would, directly or indirectly, own or control more than 5% of any class of voting shares of the bank or bank holding company. In addition to the approval of the Federal Reserve Board, prior approval may also be necessary from other agencies having supervisory jurisdiction over the bank to be acquired before any bank acquisition can be completed.

A bank holding company is generally prohibited from engaging in non-banking activities, or acquiring direct or indirect control of more than 5% of the voting securities of any company engaged in non-banking activities. One of the principal exceptions to this prohibition is for activities found by the Federal Reserve Board to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the principal activities that the Federal Reserve Board has determined by regulation to be so closely related to banking are: (i) making or servicing loans; (ii) performing certain data processing services; (iii) providing discount brokerage services; (iv) acting as fiduciary, investment or financial advisor; (v) leasing personal or real property; (vi) making investments in corporations or projects designed primarily to promote community welfare; and (vii) acquiring a savings and loan association whose direct and indirect activities are limited to those permitted for bank holding companies.

The Gramm-Leach-Bliley Act of 1999 authorized a bank holding company that meets specified conditions, including being “well capitalized” and “well managed,” to opt to become a “financial holding company” and thereby engage in a broader array of financial activities than previously permitted. Such activities can include insurance underwriting and investment banking.

The Company is subject to the Federal Reserve Board’s capital adequacy guidelines for bank holding companies (on a consolidated basis) which have historically been similar to, though less stringent than, those of the FDIC for the Bank. The Dodd-Frank Act, however, required the Federal Reserve Board to promulgate consolidated capital requirements for depository institution holding companies that are no less stringent, both quantitatively and in terms of components of capital, than those applicable to institutions themselves. Consolidated regulatory capital requirements identical to those applicable to the subsidiary banks apply to bank holding companies; as is the case with institutions themselves, the capital conservation buffer was phased in between 2016 and 2019. However, the Federal Reserve Board has provided a “small bank holding company” exception to its consolidated capital requirements, and legislation and the related issuance of regulations by the Federal Reserve Board has increased the threshold for the exception to \$3.0 billion. As a result, the Company is not subject to the capital requirement until such time as its consolidated assets exceed \$3.0 billion.

A bank holding company is generally required to give the Federal Reserve Board prior written notice of any purchase or redemption of then outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of the company’s consolidated net worth. The Federal Reserve Board may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe and unsound practice, or would violate any law, regulation, Federal Reserve Board order or directive, or any condition imposed by, or written agreement with, the Federal Reserve Board. There is an exception to this approval requirement for well-capitalized bank holding companies that meet certain other conditions.

The Federal Reserve Board has issued a policy statement regarding capital distributions, including dividends, by bank holding companies. In general, the Federal Reserve Board’s policies provide that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the bank holding company appears consistent with the organization’s capital needs, asset quality and overall financial condition. The Federal Reserve Board’s policies also require that a bank holding company serve as a source of financial strength to its subsidiary banks by standing ready to use available resources to provide adequate capital funds to those banks during periods of financial stress or adversity and by maintaining the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks where necessary. The Dodd-Frank Act codified the source of strength doctrine. Under the prompt corrective action laws, the ability of a bank holding company to pay dividends may be restricted if a subsidiary bank becomes

undercapitalized. In addition, the Federal Reserve Board has issued guidance that requires consultation with the agency prior to a bank holding company's payment of dividends or repurchase of stock under certain circumstances. These regulatory policies could affect the ability of the Company to pay dividends, repurchase its stock or otherwise engage in capital distributions.

Under the Federal Deposit Insurance Act, depository institutions are liable to the FDIC for losses suffered or anticipated by the FDIC in connection with the default of a commonly controlled depository institution or any assistance provided by the FDIC to such an institution in danger of default.

The status of the Company as a registered bank holding company under the Bank Holding Company Act does not exempt it from certain federal and state laws and regulations applicable to corporations generally, including, without limitation, certain provisions of the federal securities laws.

Federal Securities Laws

The common stock of the Company is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934. As a result, the Company is required to file quarterly and annual reports with the Securities and Exchange Commission and is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 is intended to improve corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. We have policies, procedures and systems designed to comply with these regulations, and we review and document such policies, procedures and systems to ensure continued compliance with these regulations.

Change in Control Regulations

Under the Change in Bank Control Act, no person, or group of persons acting in concert, may acquire control of a bank holding company, such as the Company, unless the Federal Reserve Board has been given 60 days' prior written notice and not disapproved the proposed acquisition. The Federal Reserve Board considers several factors in evaluating a notice, including the financial and managerial resources of the acquirer and competitive effects. Control, as defined under the applicable regulations, means the power, directly or indirectly, to direct the management or policies of the company or to vote 25% or more of any class of voting securities of the company. Acquisition of more than 10% of any class of a bank holding company's voting securities constitutes a rebuttable presumption of control under certain circumstances, including where, as will be the case with the Company, the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934.

In addition, federal regulations provide that no company may acquire control (as defined in the Bank Holding Company Act) of a bank holding company without the prior approval of the Federal Reserve Board. Any company that acquires such control becomes a "bank holding company" subject to registration, examination and regulation by the Federal Reserve Board.

Emerging Growth Company Status

The Company is an emerging growth company and, for so long as it continues to be an emerging growth company, the Company may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As an emerging growth company, the Company also is not subject to Section 404(b) of the Sarbanes-Oxley Act of 2002, which would require that our independent auditors review and attest as to the effectiveness of our internal control over financial reporting. We have also elected to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Such an election is irrevocable during the period a company is an emerging growth company. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

The Company will cease to be an emerging growth company upon the earliest of: (i) the end of the fiscal year following the fifth anniversary of the completion of its second-step conversion offering; (ii) the first fiscal year after our annual gross revenues are \$1.07

billion (adjusted for inflation) or more; (iii) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt securities; or (iv) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded \$700 million at the end of the second quarter of that fiscal year. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

FEDERAL AND STATE TAXATION

Federal Income Taxation

General. We report our income on a fiscal year basis using the accrual method of accounting. The federal income tax laws apply to us in the same manner as to other corporations with some exceptions, including particularly our reserve for bad debts discussed below. The following discussion of tax matters is intended only as a summary and does not purport to be a comprehensive description of the tax rules applicable to us. The tax years corresponding to our fiscal years ended June 30, 2021 through 2024 remain subject to examination by the Internal Revenue Service and by Pennsylvania and Philadelphia taxing authorities. The tax years corresponding to our fiscal years ended June 30, 2020 through 2024 remain subject to examination by New Jersey taxing authorities. For 2024, the Bank's maximum federal income tax rate was 21.0%.

The Company and the Bank have entered into a tax allocation agreement. Because the Company owns 100% of the issued and outstanding capital stock of the Bank, the Company and the Bank are members of an affiliated group within the meaning of Section 1504(a) of the Internal Revenue Code, of which group the Company is the common parent corporation. As a result of this affiliation, the Bank may be included in the filing of a consolidated federal income tax return with the Company and, if a decision to file a consolidated tax return is made, the parties agree to compensate each other for their individual share of the consolidated tax liability and/or any tax benefits provided by them in the filing of the consolidated federal income tax return.

Bad Debt Reserves. For fiscal years beginning before June 30, 1996, thrift institutions that qualified under certain definitional tests and other conditions of the Internal Revenue Code were permitted to use certain favorable provisions to calculate their deductions from taxable income for annual additions to their bad debt reserve. A reserve could be established for bad debts on qualifying real property loans, generally secured by interests in real property improved or to be improved, under the percentage of taxable income method or the experience method. The reserve for non-qualifying loans was computed using the experience method. Federal legislation enacted in 1996 repealed the reserve method of accounting for bad debts and the percentage of taxable income method for tax years beginning after 1995 and required savings institutions to recapture or take into income certain portions of their accumulated bad debt reserves as of December 31, 1987. Approximately \$2.8 million of income tax related to our accumulated bad debt reserves will not be recognized unless the Bank makes a "non-dividend distribution" to the Company as described below.

Distributions. If the Bank makes "non-dividend distributions" to the Company, the distributions will be considered to have been made from the Bank's un-recaptured tax bad debt reserves, including the balance of its reserves as of December 31, 1987, to the extent of the "non-dividend distributions," and then from the Bank's supplemental reserve for losses on loans, to the extent of those reserves, and an amount based on the amount distributed, but not more than the amount of those reserves, will be included in the Bank's taxable income. Non-dividend distributions include distributions in excess of the Bank's current and accumulated earnings and profits, as calculated for federal income tax purposes, distributions in redemption of stock, and distributions in partial or complete liquidation. Dividends paid out of the Bank's current or accumulated earnings and profits will not be included in the Bank's taxable income.

The amount of additional taxable income triggered by a non-dividend is an amount that, when reduced by the tax attributable to the income, is equal to the amount of the distribution. Therefore, if the Bank makes a non-dividend distribution to the Company, approximately one and one-half times the amount of the distribution not in excess of the amount of the reserves would be includable in income for federal income tax purposes, assuming a 21.0% federal corporate income tax rate. The Bank does not intend to pay dividends that would result in a recapture of any portion of its bad debt reserves.

State Taxation

Pennsylvania Taxation. The Bank, as a savings bank conducting business in Pennsylvania, is subject to tax under the Pennsylvania Mutual Thrift Institutions Tax ("MTIT") Act, as amended to include thrift institutions having capital stock. The MTIT is a tax upon separately stated net book income, determined in accordance with generally accepted accounting principles with certain adjustments. In computing income subject to MTIT taxation, there is an allowance for the deduction of interest income earned on state, federal and local obligations, while also disallowing a portion of a thrift's interest expense associated with such tax-exempt income. The MTIT tax rate is 11.5%. Net operating losses, if any, can be carried forward a maximum of three years for MTIT purposes.

Philadelphia Taxation. In addition, as a savings bank conducting business in Philadelphia, the Bank is also subject to the City of Philadelphia Business Privilege Tax. The City of Philadelphia Business Privilege Tax is a tax upon net income or taxable receipts imposed on persons carrying on or exercising for gain or profit certain business activities within Philadelphia. Pursuant to the City of Philadelphia Business Privilege Tax, the 2024 tax rate was 5.81% on net income and 0.1415% on gross receipts. For regulated industry taxpayers, the tax is the lesser of the tax on net income or the tax on gross receipts. The City of Philadelphia Business Privilege Tax allows for the deduction by financial businesses from receipts of (a) the cost of securities and other intangible property and monetary metals sold, exchanged, paid at maturity or redeemed, but only to the extent of the total gross receipts from securities and other intangible property and monetary metals sold, exchanged, paid out at maturity or redeemed; (b) moneys or credits received in repayment of the principal amount of deposits, advances, credits, loans and other obligations; (c) interest received on account of deposits, advances, credits, loans and other obligations made to persons resident or having their principal place of business outside Philadelphia; (d) interest received on account of other deposits, advances, credits, loans and other obligations but only to the extent of interest expenses attributable to such deposits, advances, credits, loans and other obligations; and (e) payments received on account of shares purchased by stockholders. An apportioned net operating loss may be carried forward for three tax years following the tax year for which it was first reported.

New Jersey Taxation. The Bank is subject to New Jersey’s Corporation Business Tax at the rate of 9.0% on its separate company apportioned taxable income. For this purpose, “taxable income” generally means federal taxable income subject to certain adjustments (including addition of interest income on state and municipal obligations). Net operating losses may be carried forward for twenty years following the tax year for which they were first reported.

Executive Officers

Our executive officers are elected annually by the board of directors and serve at the board’s discretion. The following individuals currently serve as our executive officers:

Name	Position
Kenneth J. Stephon	Chairman, President and Chief Executive Officer of William Penn Bancorporation and William Penn Bank
Jeannine Cimino	Executive Vice President and Chief Retail Officer of William Penn Bancorporation and William Penn Bank
Amy J. Logan	Executive Vice President and Chief Operating Officer of William Penn Bancorporation and William Penn Bank
Jonathan T. Logan	Executive Vice President and Chief Financial Officer of William Penn Bancorporation and William Penn Bank
Alan B. Turner	Executive Vice President and Chief Lending Officer of William Penn Bancorporation and William Penn Bank

Below is information regarding our executive officers. Each executive officer has held his or her current position for the period indicated below. Ages presented are as of June 30, 2024.

Kenneth J. Stephon is the Chairman, President and Chief Executive Officer of William Penn Bancorporation and William Penn Bank. Mr. Stephon previously served as Senior Executive Vice President and Chief Operating Officer of William Penn Bank and William Penn Bancorporation from July 2018 until October 2018, when he became President. He was appointed Chief Executive Officer of William Penn Bank and William Penn Bancorporation in February 2019. Mr. Stephon has over 40 years of banking industry experience and previously served as President and Chief Executive Officer, as well as a director, of Audubon Savings Bank from October 2013 until its merger with William Penn Bank on July 1, 2018. He also serves as a director of the Pennsylvania Association of Community Bankers and the Insured Financial Institutions of the Delaware Valley. Age 65.

Jeannine Cimino joined William Penn Bancorporation and William Penn Bank as Executive Vice President and Chief Retail Officer in July 2021. Mrs. Cimino served as Regional President of Berkshire Bank from December 2016 to July 2021, following Berkshire Bank’s acquisition of First Choice Bank, where she served as Director of Marketing from April 2010 to December 2016. Prior to that time, Mrs. Cimino served as Senior Vice President of Retail Banking at Sovereign Bank. Age 53.

Amy J. Logan joined William Penn Bancorporation and William Penn Bank as Executive Vice President and Director of Corporate Development in May 2021 and, in June 2021, was appointed as Executive Vice President and Chief Operating Officer of the Company and the Bank. Mrs. Logan served as Senior Vice President and Corporate Controller of WSFS Bank, from April 2019 to April 2021, following the acquisition by WSFS Bank of Beneficial Bank, where she served as Senior Vice President and Chief Accounting Officer

from March 2010 to April 2019. Mrs. Logan is a certified public accountant and began her career with Coopers and Lybrand, where she served as an audit manager in the financial services industry. Mrs. Logan (formerly Mrs. Hannigan) is married to Jonathan T. Logan, who is also an executive officer of the Company and the Bank, and has adopted her marital last name. Age 57.

Jonathan T. Logan joined William Penn Bancorporation and William Penn Bank as Senior Vice President and Chief Financial Officer in April 2020 and, in June 2021, was appointed Executive Vice President and Chief Financial Officer of the Company and the Bank. Mr. Logan served as Vice President and Controller of Towne Park, a hospitality services company, from March 2019 to March 2020. Prior to that time, Mr. Logan served as Vice President and Corporate Controller of Beneficial Bank from April 2011 to March 2019. Mr. Logan is a certified public accountant and began his career with Ernst & Young where he served as an audit manager in the financial services industry. Mr. Logan is married to Amy J. Logan, who is also an executive officer of the Company and the Bank. Age 40.

Alan B. Turner joined William Penn Bancorporation and William Penn Bank as Executive Vice President and Chief Lending Officer in March 2021. Prior to that time, Mr. Turner served as Senior Vice President and Regional Commercial Manager for OceanFirst Bank, successor to Two River Community Bank, where he served as the Executive Vice President and Senior Loan Officer for 20 years. Age 60.

ITEM 1A. RISK FACTORS

Risks Related to Market Interest Rates

Changes in interest rates may hurt our profits and asset values and our strategies for managing interest rate risk may not be effective.

Like most financial institutions, our profitability depends to a large extent upon our net interest income, which is the difference between our interest income on interest-earning assets, such as loans and securities, and our interest expense on interest-bearing liabilities, such as deposits and borrowed funds. Accordingly, our results of operations depend largely on movements in market interest rates and our ability to manage our interest-rate-sensitive assets and liabilities in response to these movements. Factors such as inflation, recession and instability in financial markets, among other factors beyond our control, may affect interest rates.

In a rising interest rate environment, we would expect that the rates on our deposits and borrowings would reprice upwards faster than the rates on our longer-term loans and investments, which would be expected to compress our interest rate spread and have a negative effect on our profitability. In addition, the high percentage of fixed rate loans in our one- to four-family residential real estate loan portfolio would also contribute to the negative effect on our profitability in a rising interest rate environment. Furthermore, increases in interest rates may adversely affect the ability of our borrowers to make loan repayments on adjustable-rate loans, as the interest owed on such loans would increase as interest rates increase. Conversely, decreases in interest rates can result in increased prepayments of loans and mortgage-related securities, as borrowers refinance to reduce their borrowing costs. Under these circumstances, we are subject to reinvestment risk as we may have to redeploy such loan or securities proceeds into lower-yielding assets, which might also negatively impact our income.

Furthermore, the historically low interest rate environment in recent periods has contributed significantly to our loan growth, particularly in one- to four-family residential mortgage loans where refinance volume has been relatively high. The increase in market interest rates that we experienced is likely to reduce our loan origination volume, particularly refinance volume, and/or reduce our interest rate spread, which would have a material adverse effect on our profitability and results of operations.

Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition, liquidity and results of operations. Changes in the level of interest rates also may negatively affect the value of our assets, including the value of our available-for-sale investment securities which generally decrease when market interest rates rise.

Changes in the level of interest rates also may negatively affect our ability to originate real estate loans, the value of our assets, and our ability to realize gains from the sale of our assets, all of which ultimately affect our earnings. Also, our interest rate risk modeling techniques and assumptions likely may not fully predict or capture the impact of actual interest rate changes on our balance sheet or projected operating results.

Changes in interest rates can affect: (1) our ability to originate loans; (2) the value of our interest-earning assets and our ability to realize gains from the sale of such assets; (3) our ability to obtain and retain deposits in competition with other available investment alternatives; and (4) the ability of our borrowers to repay their loans, particularly adjustable or variable-rate loans. Interest rates are highly sensitive to many factors, including government monetary policies, domestic and international economic and political conditions and other factors beyond our control.

Risks Related to Our Lending Activities

Our emphasis on one- to four-family residential mortgage and commercial real estate loans exposes us to lending risks.

At June 30, 2024, \$220.2 million, or 46.5%, of our loan portfolio was secured by one- to four-family real estate and we intend to continue to make loans of this type in the future. One- to four-family residential mortgage and one- to four-family commercial real estate lending is generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations, making loss levels difficult to predict. Declines in real estate values could cause some of our residential mortgages to be inadequately collateralized, which would expose us to a greater risk of loss if we seek to recover on defaulted loans by selling the real estate collateral.

Our origination of non-owner occupied one- to four-family residential mortgage loans may expose us to increased lending risks.

At June 30, 2024, loans secured by non-owner occupied one- to four-family residential properties totaled \$92.3 million, or 19.5% of our loan portfolio. We intend to continue to make loans secured by non-owner occupied one- to four-family residential properties in the future. Loans secured by non-owner occupied properties generally expose a lender to greater risk of non-payment and loss than loans secured by owner occupied properties because repayment of such loans depend primarily on the tenant's continuing ability to pay rent to the property owner, who is our borrower, or, if the property owner is unable to find a tenant, the property owner's ability to repay the loan without the benefit of a rental income stream.

Our recent increase in and planned increase in commercial real estate and commercial lending could expose us to increased lending risks and related credit losses.

At June 30, 2024, we had \$211.9 million in commercial real estate and business loans (which include non-residential real estate loans, multi-family loans, land loans and commercial loans), which represented 44.7% of our total loan portfolio at that date. Of this amount, \$158.5 million, or 33.5% of our total loan portfolio, was comprised of non-residential real estate loans made to small and medium-sized business located in our market area. Our current business strategy is to continue to increase our originations of commercial real estate loans in accordance with our conservative underwriting guidelines. Commercial real estate loans generally expose a lender to greater risk of non-payment and loss than one- to four-family residential mortgage loans because repayment of the loans often depends on the successful operation of the properties and the income stream of the borrowers. Such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential mortgage loans.

In addition, to the extent that borrowers have more than one commercial loan outstanding, an adverse development with respect to one loan or one credit relationship could expose us to a significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential real estate loan. Furthermore, if loans that are collateralized by commercial real estate become troubled and the value of the real estate has been significantly impaired, then we may not be able to recover the full contractual amount of principal and interest that we anticipated at the time we originated the loan, which could cause us to increase our provision for credit losses and adversely affect our operating results and financial condition.

If our allowance for credit losses is not sufficient to cover actual credit losses, our results of operations would be negatively affected.

In determining the amount of the allowance for credit losses, we analyze, among other things, our loss and delinquency experience by portfolio segments and we consider the effect of existing and forecasted economic conditions. In addition, we make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. If the actual results are different from our estimates, or our analyses are inaccurate, our allowance for credit losses may not be sufficient to cover losses inherent in our loan portfolio, which would require additions to our allowance and would decrease our net income. Increasing our loan portfolio, as well as any future credit deterioration, will require us to increase our allowance further in the future.

In addition, our banking regulators periodically review our allowance for credit losses and could require us to increase our provision for credit losses. Any increase in our allowance for credit losses or loan charge-offs resulting from these regulatory reviews may have a material adverse effect on our results of operations and financial condition.

The geographic concentration of our loan portfolio and lending activities makes us vulnerable to a downturn in our local market area.

While there is not a single employer or industry in our market area on which a significant number of our customers are dependent, a substantial portion of our loan portfolio is comprised of loans secured by property located in the suburbs of Philadelphia, particularly in Bucks and Philadelphia Counties in Pennsylvania and in Southern and Central New Jersey. This makes us vulnerable to a downturn in the local economy and real estate markets. Adverse conditions in the local economy such as unemployment, recession, a catastrophic event or other factors beyond our control could impact the ability of our borrowers to repay their loans, which could impact our net interest income. Decreases in local real estate values caused by economic conditions, recent changes in tax laws or other events could adversely affect the value of the property used as collateral for our loans, which could cause us to realize a loss in the event of a foreclosure. Further, deterioration in local economic conditions could drive the level of credit losses beyond the level we have provided for in our allowance for credit losses, which in turn could necessitate an increase in our provision for credit losses and a resulting reduction to our earnings and capital.

Risks Related to Economic Conditions

Inflation can have an adverse impact on our business and our customers.

Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. Recently, there has been a rise in inflation and the Federal Reserve Board has raised certain benchmark interest rates in an effort to combat inflation. As inflation increases and market interest rates rise, the value of our investment securities, particularly those with longer maturities, would decrease, although this effect can be less pronounced for floating rate instruments. In addition, inflation generally increases the cost of goods and services we use in our business operations, such as electricity and other utilities, which increases our noninterest expenses. Furthermore, our customers are also affected by inflation and the rising costs of goods and services used in their households and businesses, which could have a negative impact on their ability to repay their loans with us.

Economic conditions could result in increases in our level of non-performing loans and/or reduce demand for our products and services, which could have an adverse effect on our results of operations.

Prolonged deteriorating economic conditions could significantly affect the markets in which we do business, the value of our loans and investment securities, and our ongoing operations, costs and profitability. Further, declines in real estate values and sales volumes and elevated unemployment levels may result in higher loan delinquencies, increases in our non-performing and classified assets and a decline in demand for our products and services. These events may cause us to incur losses and may adversely affect our financial condition and results of operations. Reduction in problem assets can be slow, and the process can be exacerbated by the condition of the properties securing non-performing loans and the lengthy foreclosure process in Pennsylvania and New Jersey, where the majority of our borrowers reside. To the extent that we must work through the resolution of assets, economic problems may cause us to incur losses and adversely affect our capital, liquidity, and financial condition.

Risks Related to our Deferred Tax Assets and Goodwill

We may not be able to realize our deferred tax assets.

We recognize deferred tax assets and liabilities based on differences between the financial statement carrying amounts and the tax bases of assets and liabilities. At June 30, 2024, we had net deferred tax assets totaling \$9.6 million. We have determined that no valuation allowance is required as of June 30, 2024, although there is no guarantee that those assets will be fully recognizable in future periods. Management regularly reviews the net deferred tax asset for recoverability based on our history of earnings, expectations for future earnings and expected timing of reversals of temporary differences.

The value of our goodwill may decline in the future.

As of June 30, 2024, we had \$4.9 million of goodwill. A significant decline in our expected future cash flows, a significant adverse change in the business climate or slower growth rates, any or all of which could be materially impacted by many of the risk factors discussed herein, may necessitate our taking charges in the future related to the impairment of our goodwill. Future regulatory actions could also have a material impact on assessments of goodwill for impairment. If the fair value of our net assets improves at a faster rate than the market value of our reporting units, or if we were to experience increases in book values of a reporting unit in excess of the increase in fair value of equity, we may also have to take charges related to the impairment of our goodwill. If we were to conclude that

a future write-down of our goodwill is necessary, we would record the appropriate charge, which could have a material adverse effect on our results of operations.

Risks Related to Our Growth Strategy

We are subject to certain risks in connection with our history of growing through mergers and acquisitions.

In July 2018, we acquired Audubon, a New Jersey-chartered mutual savings association headquartered in Audubon, New Jersey. Additionally, in May 2020, we acquired both Fidelity, a Pennsylvania-chartered mutual savings bank headquartered in Bristol, Pennsylvania and Washington, a Pennsylvania-chartered mutual savings bank headquartered in Philadelphia, Pennsylvania. It is possible that we could acquire other banking institutions, other financial services companies or branches of financial institutions in the future. Acquisitions typically involve the payment of a premium over book and trading values and, therefore, may result in the dilution of our tangible book value per share. Acquisitions, including those that we have completed, also involve a number of risks and challenges, including (1) our ability to achieve planned synergies and to integrate the branches and operations we acquire, and the internal controls and regulatory functions of the acquired entity into our current operations and (2) the diversion of management's attention from existing operations, which may adversely affect our ability to successfully conduct our business and negatively impact our financial results.

The building of market share through our branch office strategy, and our ability to achieve profitability on new branch offices, may increase our expenses and negatively affect our earnings.

We believe there may be branch expansion opportunities within our market area and adjacent markets, and we may seek to grow our deposit base by adding branches to our existing twelve-branch network. There are considerable costs involved in opening branch offices, especially in light of the capabilities needed to compete in today's environment. Moreover, new branch offices generally require a period of time to generate sufficient revenues to offset their costs, especially in areas in which we do not have an established presence. Accordingly, new branch offices could negatively impact our earnings and may do so for a period of time. Our investments in products and services, and the related personnel required to implement new policies and procedures, take time to earn returns and can be expected to negatively impact our earnings for the foreseeable future. The profitability of any prospective branch expansion will depend on whether the income that we generate from new branch offices will offset the increased expenses resulting from operating these branch offices.

Risks Related to Liquidity and Dividend Matters

Financial challenges at other banking institutions could lead to disruptive and destabilizing deposit outflows, as well as an increase in FDIC deposit premiums, which could negatively impact our profitability and results of operations.

In March 2023, Silicon Valley Bank and Signature Bank experienced large deposit outflows, coupled with insufficient liquidity to meet withdrawal demands, resulting in the institutions being placed into FDIC receivership. Additionally in May 2023, First Republic Bank experienced similar circumstances which resulted in the institution being placed into FDIC receivership. The placement of these institutions into receivership has resulted in market disruption and increased concerns that diminished depositor confidence across the banking industry in general could lead to deposit outflows that could destabilize other institutions. At June 30, 2024, we had \$234.0 million in available liquidity with the FHLB of Pittsburgh and \$20.2 million in cash and cash equivalents, which was sufficient to cover 234.9% of our estimated uninsured and uncollateralized deposits, excluding intercompany deposits. Notwithstanding our strong liquidity position, large deposit outflows could materially and adversely affect our financial condition and results of operations. Following the placement of Silicon Valley Bank and Signature Bank into FDIC receivership, the federal banking regulators also issued a joint statement providing that the losses to support the uninsured deposits of those banks would be recovered via a special assessment on banks. Any special assessments, increases in assessment rates or required prepayments in FDIC insurance premiums, to the extent that they result in increased deposit insurance costs, would reduce our profitability.

Insufficient liquidity could impair our ability to fund operations and jeopardize our financial condition, growth and prospects.

We require sufficient liquidity to fund loan commitments, satisfy depositor withdrawal requests, make payments on our debt obligations as they become due, and meet other cash commitments. Liquidity risk is the potential that we will be unable to meet our obligations as they become due because of an inability to liquidate assets or obtain adequate funding at a reasonable cost, in a timely manner and without adverse conditions or consequences. Our sources of liquidity consist primarily of cash, assets readily convertible to cash (such as investment securities), increases in deposits, advances, as needed, from the FHLB of Pittsburgh, and other borrowings. Our access to funding sources in amounts adequate to finance our activities or on acceptable terms could be impaired by factors that affect our organization specifically or the financial services industry or economy in general. Any substantial, unexpected, and/or prolonged change

in the level or cost of liquidity could impair our ability to fund operations and meet our obligations as they become due and could have a material adverse effect on our business, financial condition and results of operations.

We may be required to rely more heavily on wholesale funding strategies for funding and liquidity needs if we are unable to generate core deposits, which could have an adverse effect on our net interest margin and profitability.

We must maintain sufficient funds to respond to the needs of depositors and borrowers. Deposits have traditionally been our primary source of funds for use in lending and investment activities. We also receive funds from loan repayments, investment maturities and income on other interest-earning assets. While we emphasize generating transaction accounts, we cannot guarantee if and when this will occur. Moreover, deposit balances can decrease if customers perceive alternative investments as providing a better risk/return tradeoff. If we are not able to maintain our lower-cost transactional deposits at a level necessary to fund our asset growth or deposit outflows, we may be forced seek other sources of funds, including other certificates of deposit, FHLB advances, and lines of credit to meet the borrowing and deposit withdrawal requirements of our customers, which may be more expensive and have an adverse effect on our net interest margin and profitability.

Ineffective liquidity management could adversely affect our financial results and condition.

Effective liquidity management is essential for the operation of our business. We require sufficient liquidity to meet customer loan requests, customer deposit maturities/withdrawals, payments on our debt obligations as they come due and other cash commitments under both normal operating conditions and other unpredictable circumstances causing industry or general financial market stress. Our access to funding sources in amounts adequate to finance our activities on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy generally. Factors that could detrimentally impact our access to liquidity sources include a downturn in the geographic markets in which our loans and operations are concentrated or difficult credit markets. Our access to deposits may also be affected by the liquidity needs of our depositors. In particular, a majority of our liabilities are checking accounts and other liquid deposits, which are payable on demand or upon several days' notice, while by comparison, a substantial majority of our assets are loans, which cannot be called or sold in the same time frame. Although we have historically been able to replace maturing deposits and advances as necessary, we might not be able to replace such funds in the future, especially if a large number of our depositors seek to withdraw their accounts, regardless of the reason. A failure to maintain adequate liquidity could materially and adversely affect our business, results of operations or financial condition.

We cannot guarantee that we will continue to pay dividends or that, if paid, we will not reduce or eliminate dividends in the future.

The holders of our common stock are only entitled to receive such dividends as our Board of Directors may declare out of funds available for such payments under applicable law and regulatory guidance, and, although we have historically declared cash dividends on our common stock, we are not required to do so. The Federal Reserve Board has issued a policy statement regarding capital distributions, including dividends, by bank holding companies. In general, the Federal Reserve Board's policies provide that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the bank holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. The Federal Reserve Board's policies also require that a bank holding company serve as a source of financial strength to its subsidiary banks by standing ready to use available resources to provide adequate capital funds to those banks during periods of financial stress or adversity and by maintaining the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks where necessary. Under the prompt corrective action laws, the ability of a bank holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized. In addition, the Federal Reserve Board has issued guidance that requires consultation with the agency prior to a bank holding company's payment of dividends or repurchase of stock under certain circumstances. These regulatory policies could affect the ability of the Company to pay dividends, repurchase its stock or otherwise engage in capital distributions.

Our inability to receive dividends from the Bank could have a material adverse effect on our financial condition or results of operations, as well as our ability to maintain or increase the current level of cash dividends we pay to our stockholders.

The Company is a separate and distinct legal entity from the Bank, and a substantial portion of the revenues the Company receives consists of dividends from the Bank. These dividends are the primary funding source for the dividends we pay on our common stock. Various federal and state laws and regulations limit the amount of dividends that the Bank may pay to the Company. In addition, our right to participate in a distribution of assets upon the liquidation or reorganization of a subsidiary may be subject to the prior claims of the subsidiary's creditors. If the Bank is unable to pay dividends to the Company, we might not be able to pay our obligations, or pay dividends on our common stock.

Risks Related to Competitive Matters

Strong competition within our market area could hurt our profits and slow our growth.

Our profitability depends upon our continued ability to compete successfully in our market area. We face intense competition both in making loans and attracting deposits. We continue to face stiff competition for one- to four-family residential loans from other financial service providers, including large national residential lenders, local community banks and credit unions. Other competitors for one- to four-family residential loans include credit unions and mortgage brokers which keep overhead costs and mortgage rates down by selling loans and not holding or servicing them. Our competitors for commercial real estate loans include other community banks and commercial lenders, some of which are larger than us and have greater resources and lending limits than we have and offer services that we do not provide. Price competition for loans and deposits might result in us earning less on our loans and paying more on our deposits, which reduces net interest income. We expect competition to remain strong in the future.

Risks Related to Operational and Regulatory Matters

We depend on our management team to implement our business strategy and execute successful operations and we could be harmed by the loss of their services.

We depend upon the services of the members of our senior management team who direct our strategy and operations. Our executive officers and lending personnel possess expertise in our markets and key business relationships, and the loss of any one of them could be difficult to replace. Our loss of one or more of these persons, or our inability to hire additional qualified personnel, could impact our ability to implement our business strategy and could have a material adverse effect on our results of operations and our ability to compete in our markets.

We are a community bank and our ability to maintain our reputation is critical to the success of our business. The failure to do so may adversely affect our performance.

We are a community bank and our reputation is one of the most valuable assets of our business. A key component of our business strategy is to rely on our reputation for customer service and knowledge of local markets to expand our presence by capturing new business opportunities from existing and prospective customers in our market area and contiguous areas. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers. If our reputation is negatively affected by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers or otherwise, our business and operating results may be materially adversely affected. Threats to our reputation can also come from many sources, including adverse sentiment about financial institutions generally, unethical practices, employee misconduct, failure to deliver minimum standards of service or quality, compliance deficiencies, cybersecurity incidents and questionable or fraudulent activities of our customers. Negative publicity regarding our business, employees, or customers, with or without merit, may result in the loss of customers and employees, costly litigation and increased governmental regulation, any or all of which could adversely affect our business and operating results.

We are dependent on our information technology and telecommunications systems and third-party service providers; systems failures, interruptions and cybersecurity breaches could have a material adverse effect on us.

Our business is dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems and third-party service providers. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If significant, sustained or repeated, a system failure or service denial could compromise our ability to operate effectively, damage our reputation, result in a loss of customer business, and/or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on us.

Our third-party service providers may be vulnerable to unauthorized access, computer viruses, phishing schemes and other security breaches. We likely will expend additional resources to protect against the threat of such security breaches and computer viruses, or to alleviate problems caused by such security breaches or viruses. To the extent that the activities of our third-party service providers or the activities of our customers involve the storage and transmission of confidential information, security breaches and viruses could expose us to claims, regulatory scrutiny, litigation costs and other possible liabilities.

Security breaches and cybersecurity threats could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and that of our customers, suppliers and business partners, as well as personally identifiable information about our customers and employees. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. We, our customers, and other financial institutions with which we interact, are subject to ongoing, continuous attempts to penetrate key systems by individual hackers, organized criminals, and in some cases, state-sponsored organizations.

While we have established policies and procedures to prevent or limit the impact of cyber-attacks, there can be no assurance that such events will not occur or will be adequately addressed if they do. Although we take protective measures, the security of our computer systems, software, and networks may be vulnerable to breaches, unauthorized access, misuse, computer viruses, or other malicious code and cyber-attacks that could have an impact on information security. Because the techniques used to cause security breaches change frequently, we may be unable to proactively address these techniques or to implement adequate preventative measures.

We outsource a majority of our data processing requirements to certain third-party providers and also outsource certain cybersecurity functions, such as penetration testing, to third party service providers. Accordingly, our operations are exposed to the risk that these vendors will not perform in accordance with the contracted arrangements under service agreements. The failure of these service providers to adequately perform such functions could increase our exposure to security breaches and cybersecurity threats. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other malicious code and cyber-attacks that could have an impact on information security. Any such breach or attacks could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such unauthorized access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties; disrupt our operations and the services we provide to customers; damage our reputation; and cause a loss of confidence in our products and services, all of which could adversely affect our financial condition and results of operations.

We must keep pace with technological change to remain competitive.

Financial products and services have become increasingly technology-driven. Our ability to meet the needs of our customers competitively, and in a cost-efficient manner, is dependent on the ability to keep pace with technological advances and to invest in new technology as it becomes available, as well as related essential personnel. In addition, technology has lowered barriers to entry into the financial services market and made it possible for financial technology companies and other non-bank entities to offer financial products and services traditionally provided by banks. The ability to keep pace with technological change is important, and the failure to do so, due to cost, proficiency or otherwise, could have a material adverse impact on our business and therefore on our financial condition and results of operations.

Because the nature of the financial services business involves a high volume of transactions, we face significant operational risks.

We operate in diverse markets and rely on the ability of our employees and systems to process a high number of transactions. Operational risk is the risk of loss resulting from our operations, including but not limited to, the risk of fraud by employees or outside persons, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of our internal control system and compliance requirements, and business continuation and disaster recovery. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulations, adverse business decisions or their implementation, and customer attrition due to potential negative publicity. Although our control testing has not identified any significant deficiencies in our internal control system, a breakdown in our internal control system, improper operation of our systems or improper employee actions could result in material financial loss to us, the imposition of regulatory action, and damage to our reputation.

Acts of terrorism and other external events, such as the emergence of a pandemic or health emergency, could impact our business.

Financial institutions have been, and continue to be, targets of terrorist threats aimed at compromising operating and communication systems. Such events could cause significant damage, impact the stability of our facilities and result in additional expenses, reduce the demand for financial services, impair the ability of our borrowers to repay their loans, reduce the value of collateral securing repayment of our loans, and result in the loss of revenue. In addition, the emergence of a health emergency, epidemic or pandemic, such as the COVID-19 pandemic, could (i) reduce the demand for loans and other financial services, (ii) result in increases in loan delinquencies,

problem assets, and foreclosures, (iii) cause the value of collateral for loans, especially real estate, to decline in value, (iv) reduce the availability and productivity of our employees, (v) cause our vendors and counterparties to be unable to meet existing obligations to us, (vi) negatively impact the business and operations of third-party service providers that perform critical services for our business, (vii) cause the value of our securities portfolio to decline, and (viii) cause the net worth and liquidity of loan guarantors to decline, impairing their ability to honor commitments to us. Any one or a combination of the above events could have a material, adverse effect on our business, financial condition, and results of operations. The occurrence of any of these events could have a material adverse effect on our business, operations and financial condition.

Regulation of the financial services industry is intense, and we may be adversely affected by changes in laws and regulations.

The Bank is subject to extensive government regulation, supervision and examination by the FDIC and the Pennsylvania Department of Banking and Securities. In addition, the Company is subject to extensive regulation, supervision and examination by the Federal Reserve Board and the Pennsylvania Department of Banking and Securities. Such regulation, supervision and examination govern the activities in which we may engage, and are intended primarily for the protection of the deposit insurance fund and the Bank's depositors and not for the protection of our stockholders. Federal and state regulatory agencies have the ability to take strong supervisory actions against financial institutions that have experienced increased loan production and losses and other underwriting weaknesses or have compliance weaknesses. These actions include the entering into of formal or informal written agreements and cease and desist orders that place certain limitations on their operations. If we were to become subject to a regulatory action, such action could negatively impact our ability to execute our business plan, and result in operational restrictions, as well as our ability to grow, pay dividends, repurchase stock or engage in mergers and acquisitions. See "Regulation — Banking Regulation — Capital Requirements" for a discussion of regulatory capital requirements.

We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

The Company is an emerging growth company and, for so long as it continues to be an emerging growth company, the Company may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As an emerging growth company, the Company is not subject to Section 404(b) of the Sarbanes-Oxley Act of 2002, which would require that our independent auditors review and attest as to the effectiveness of our internal control over financial reporting. We have also elected to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

The Company will cease to be an emerging growth company upon the earliest of: (1) the end of the fiscal year following the fifth anniversary of the completion of its second-step conversion offering; (2) the first fiscal year after our annual gross revenues are \$1.07 billion (adjusted for inflation) or more; (3) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt securities; or (4) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded \$700 million as of the end of the second quarter of that fiscal year. Investors may find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and the price of our common stock may be more volatile.

Societal responses to climate change could adversely affect our business and performance, including indirectly through impacts on our customers.

Concerns over the long-term impacts of climate change have led and will continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses also may change their behavior as a result of these concerns. We and our customers will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts to us could be a drop in demand for our products and services, particularly in certain sectors. In addition, we could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans. Our efforts to take these risks into account in making lending and other decisions, including by increasing our business with climate-friendly companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior.

Risks Related to Accounting Matters

Changes in management's estimates and assumptions may have a material impact on our consolidated financial statements and our financial condition or operating results.

In preparing our consolidated financial statements, our management is and will be required under applicable rules and regulations to make estimates and assumptions as of a specified date. These estimates and assumptions are based on management's best estimates and experience as of that date and are subject to substantial risk and uncertainty. Materially different results may occur as circumstances change and additional information becomes known. Areas requiring significant estimates and assumptions by management include our evaluation of the adequacy of our allowance for credit losses and our determinations with respect to amounts owed for income taxes.

Changes in accounting standards could affect reported earnings.

The regulatory bodies responsible for establishing accounting standards, including the Financial Accounting Standards Board, the Securities and Exchange Commission and other regulatory bodies, periodically change the financial accounting and reporting guidance that governs the preparation of our consolidated financial statements. In some cases, we could be required to apply new or revised guidance retroactively. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Cybersecurity is a material part of the Company's business. As a financial institution offering products through multiple digital delivery channels, cybersecurity incidents could have a material effect on the Company, its results of operations and its reputation. To date, the Company has not experienced any cybersecurity events which have had a material effect (or are reasonably likely to have a material effect) on the Company's business strategy, results of operations, or financial condition. Notwithstanding, the impact of a cyber-incident could have a future impact on the Company's results of operations or financial condition. Cyber-attacks or other security breaches could adversely affect our operations, net income, or reputation.

Our information security program is managed by our dedicated Chief Technology Officer, whose team is responsible for leading enterprise-wide cybersecurity strategy, policy, standards, architecture, and processes. The specific experience of management who oversee cybersecurity are as follows:

- Our Chief Technology Officer, who has over 40 years of industry experience and has facilitated the management of information security programs at financial institutions for the past 35 years. Our Chief Technology Officer is responsible for technology vendor selection and managing efficiency initiatives, including the implementation and upgrades of core banking technology.
- Our Vice President and Director of Information Technology, who has over 20 years of industry experience and is a technology subject matter expert responsible for enterprise program management and information technology service management.
- Our Chief Risk Officer, who oversees entity-side risk management, including cybersecurity related risk.

To ensure that cybersecurity risk management is integrated into the Company's overall risk management plans, systems and processes, management provides regular cybersecurity reports to the Board of Directors on a monthly basis. These reports include updates on the Company's cyber risks and threats, the status of projects to strengthen our information security systems, assessments of the information security program, and updates on the emerging threat landscape. Our program is regularly evaluated by internal and external experts with the results of those reviews reported to senior management and the Board.

The Company's cybersecurity risk mitigation program involves a combination of internal resources and the use of third parties. Through a third-party vendor, the Company's internal information technology team performs monthly vulnerability scanning and performs an annual risk assessment based on best practices from the Cybersecurity and Infrastructure Security Agency ("CISA"). We also use a

third-party vendor to, among other things, undertake periodic penetration and vulnerability testing, and the results of all internal and third-party assessments and testing are reported to the Board of Directors. We actively engage with key vendors, industry participants, and intelligence and law enforcement communities as part of our continuing efforts to evaluate and enhance the effectiveness of our information security policies and procedures.

The Company also maintains insurance which may provide coverage for expenses and certain losses incurred in connection with a cybersecurity incident.

ITEM 2. PROPERTIES

At June 30, 2024, we conducted business through our administrative headquarters located in Bristol, Pennsylvania and our twelve branch offices located in Bucks and Philadelphia Counties in Pennsylvania and Burlington, Camden and Mercer Counties in New Jersey. At June 30, 2024, we owned six of our branch office locations, leased building space at five of our branch office locations and leased the land at one of our branch office locations. We also lease our administrative headquarters located in Bristol, Pennsylvania and own one additional administrative office located in Camden County, New Jersey. However, we do not currently conduct business operations from this additional administrative office. At June 30, 2024, the total net book value of our land, buildings, furniture, fixtures and equipment was \$7.2 million. As of June 30, 2024, the Company has two properties with a total carrying value of \$2.2 million in the held for sale classification. The Company intends to sell these properties by December 31, 2024.

ITEM 3. LEGAL PROCEEDINGS

We are involved in routine legal proceedings in the ordinary course of business. Such routine legal proceedings, in the aggregate, are believed by management to be immaterial to our financial condition, results of operations and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The common stock of the Company is traded on the Nasdaq Capital Market under the ticker symbol "WMPN."

Holders

The number of shareholders of record of the Company at September 5, 2024 was 502.

Dividends

The Company has historically paid dividends to its stockholders. During the fiscal year ended June 30, 2024, the Company paid quarterly dividends of \$0.03 per common share for an aggregate of \$0.12 per common share.

In determining the amount of any future dividends, the board of directors will take into account the Company's financial condition and results of operations, tax considerations, capital requirements and alternative uses for capital, industry standards, and economic conditions. The Company cannot guarantee that it will continue to pay dividends or that, if paid, it will not reduce or eliminate dividends in the future.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information regarding outstanding options and shares under the Company's 2022 Equity Incentive Plan at June 30, 2024:

Plan Category	(a)	(b)	(c)
	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plan approved by security holders	1,264,000	\$ 11.71	4
Equity compensation plan not approved by security holders	—	—	—
Total	1,264,000	\$ 11.71	4

Share Repurchases

On March 11, 2022, the Company issued a press release announcing that the Company's Board of Directors had authorized a stock repurchase program to acquire up to 758,528 shares of the Company's outstanding common stock, or approximately 5.0% of outstanding shares. That stock repurchase program became effective on March 25, 2022.

On June 9, 2022, the Company issued a press release announcing that the Company's Board of Directors had authorized a second stock repurchase program to acquire up to 771,445 shares, or approximately 5.0%, of the Company's outstanding stock, commencing upon the completion of the Company's first stock repurchase program.

On August 18, 2022, the Company issued a press release announcing that the Company's Board of Directors had authorized a third stock repurchase program to acquire up to 739,385 shares, or approximately 5.0%, of the Company's outstanding common stock, commencing upon the completion of the Company's second stock repurchase program.

On February 17, 2023, the Company issued a press release announcing that the Company's Board of Directors had authorized a fourth stock repurchase program to acquire up to 698,312 shares, or approximately 5.0%, of the Company's outstanding common stock, commencing upon the completion of the Company's third stock repurchase program. The Company completed this stock repurchase program on May 31, 2023.

On May 5, 2023, the Company issued a press release announcing that the Company's Board of Directors had authorized a fifth stock repurchase program to acquire up to 1,281,019 shares, or approximately 10.0%, of the Company's outstanding common stock, commencing upon the completion of the Company's fourth stock repurchase program. The Company completed this stock repurchase program on August 28, 2023.

On August 29, 2023, the Company issued a press release announcing that the Company's Board of Directors had authorized a sixth stock repurchase program to acquire up to 1,138,470 shares, or approximately 10.0%, of the Company's outstanding common stock. The sixth stock repurchase program was authorized following the completion of the Company's fifth stock repurchase program on August 28, 2023. The Company completed this stock repurchase program on October 30, 2023.

On October 18, 2023, the Company issued a press release announcing that the Company's Board of Directors had authorized a seventh stock repurchase program to acquire up to 1,046,610 shares, or approximately 10.0%, of the Company's outstanding common stock. The seventh stock repurchase program was authorized following the completion of the Company's sixth stock repurchase program on October 30, 2023. As of September 5, 2024, there were 49,542 shares remaining to be purchased under the Company's seventh repurchase 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 programs during the quarter ended June 30, 2024.

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</u>
April 1 - 30, 2024	20,263	\$ 12.32	20,263	211,537
May 1 - 31, 2024	57,150	12.13	39,200	172,337
June 1 - 30, 2024	36,654	11.80	36,654	135,683
Total	<u>114,067</u>	\$ 12.06	<u>96,117</u>	

ITEM 6. RESERVED

ITEM 7. 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, including associated allowances and reserves; (vi) changes in future allowance for credit losses, including changes required under relevant accounting and regulatory requirements; (vii) the ability to pay future dividends; (viii) changes in real estate market values in our market area; (ix) decreased demand for loan products, deposit flows, competition, or decreased demand for financial services in our market area; (x) major catastrophes such as earthquakes, floods or other natural or human disasters and infectious disease outbreaks, the related disruption 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; (xi) 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; (xii) technological changes that may be more difficult or expensive than expected; (xiii) success or consummation of new business initiatives may be more difficult or expensive than expected; (xiv) our ability to successfully execute our business plan and strategies and integrate the business operations of acquired businesses into our business operations; (xv) our ability to manage market risk, credit risk and operational risk in the current economic environment; (xvi) adverse changes in the securities markets; (xvii) the inability of third party service providers to perform; and (xviii) changes in accounting policies and practices, as may be adopted by bank regulatory agencies or the Financial Accounting Standards Board.

Overview

Our results of operations depend primarily on our net interest income. Net interest income is the difference between the interest income we earn on our interest-earning assets, consisting primarily of loans, investment securities, including mortgage-backed securities, and other interest-earning assets (primarily cash and cash equivalents), and the interest we pay on our interest-bearing liabilities, consisting primarily of interest-bearing checking accounts, money market accounts, statement savings accounts, individual retirement accounts, certificates of deposit and advances from the FHLB of Pittsburgh. Our results of operations also are affected by our provisions for credit losses, noninterest income and noninterest expense. Noninterest income currently consists primarily of service fees, service charges, earnings on bank-owned life insurance, net gains on the sale of investment securities and unrealized gains or losses on equity securities.

Noninterest expense currently consists primarily of salaries and employee benefits, occupancy and equipment, data processing and professional fees. Our results of operations also may be affected significantly by general and local economic and competitive conditions, changes in market interest rates, governmental policies, and actions of regulatory authorities.

Business Strategy

The Company is focused on serving the financial needs of consumers and businesses in our primary markets of Southeastern Pennsylvania and Southern and Central New Jersey. Through our wholly owned bank subsidiary, William Penn Bank, we deliver a comprehensive range of traditional depository and lending products, online banking services, and cash management tools for small businesses. Our business strategy is to continue to operate and grow a profitable community-oriented financial institution. We plan to achieve this by executing our strategy described below:

Continuing to emphasize our established relationship-based banking business model.

Our primary strategic objective is to further our relationship-based business model that emphasizes securing strong, long-lasting customer relationships. We employ a group of talented employees with relationships in retail, commercial, and small business banking that assist us in our efforts to build relationships and enhance the William Penn brand. We believe that customer satisfaction is a key to sustainable growth and profitability. While continually striving to ensure that our products and services meet our customers' needs, we also encourage our employees to focus on providing personal service and attentiveness to our customers in a proactive manner. We believe that many opportunities remain to deliver what our customers want in the form of exceptional service and convenience, and we intend to continue to focus our operating strategy on taking advantage of these opportunities. Consistent with this strategy, in fiscal 2022 we began offering private banking services that provide high net worth clients a primary point of contact that is dedicated to their personal and business financial needs.

Focusing on our commercial lending activities while also maintaining our residential portfolio.

At June 30, 2024, \$211.9 million, or 44.7%, of our total loan portfolio was secured by commercial non-residential real estate, multi-family real estate, commercial construction and land, and commercial business loans, compared to \$120.4 million, or 25.9%, of our loan portfolio at June 30, 2021. We intend to continue to increase our commercial lending activities, particularly with respect to commercial real estate, multi-family residential and commercial business loans, in the future. We believe the recent expansion of our multi-family residential and commercial real estate lending activities has helped to diversify our balance sheet and increase our presence in our market area. We have added experienced commercial lending personnel and enhanced our infrastructure in order to implement this component of our business strategy.

At June 30, 2024, \$127.9 million, or 27.0%, of our total loan portfolio was secured by owner-occupied one- to four-family residential real estate loans and we intend to continue to offer this type of lending in the future. We believe there are opportunities to increase our residential mortgage lending in our market area, and we intend to take advantage of these opportunities through our existing lending staff and residential mortgage origination channels.

We believe that strong asset quality is a key to long-term financial success, and we have sought to maintain a high level of asset quality and mitigate credit risk by using conservative underwriting standards for all of our residential and commercial lending products, combined with diligent monitoring and collection efforts. We will continue to seek commercial and residential lending opportunities in our market area that will further our business strategy and that are also consistent with our conservative underwriting standards.

Continuing to invest in our facilities and expand our branch network through de novo branching.

We have been enhancing and optimizing both our facilities and branch network in recent years. We have consolidated most of our non-branch operations into one location located in Bristol, Pennsylvania that opened in November 2019 and we have consolidated our loan origination and servicing administration operations into one location located in Philadelphia, Pennsylvania that we acquired in connection with our acquisition of Washington Savings Bank. Effective June 30, 2022, we consolidated three existing Bank branches into one branch based on branch deposit levels and the close geographic proximity of the three consolidating branches. In addition, effective December 31, 2022, we consolidated two existing Bank branches into one branch based on branch deposit levels and the close geographic proximity of the two consolidating branches.

In the future, we may consider branch expansion opportunities within our market area and adjacent markets, and we may seek to grow our deposit base by adding branches to our existing twelve-branch network. We opened a new branch office in Yardley, Pennsylvania

in March 2021, a new branch office in Doylestown, Pennsylvania in September 2021 and a new branch office in Hamilton Township, New Jersey in December 2021. We will consider opening additional new branches in desirable locations in attractive growth markets.

Improving our technology platform.

We are committed to building a technology platform that enables us to deliver best-in-class products and services to our customers and is also scalable to accommodate our long-term growth plans. To accomplish this objective, we have made and are continuing to make substantial investments in our information technology infrastructure, including data backup, security, accessibility, integration, business continuity, website development, online and mobile banking technologies, cash management technology and internal/external ease of use. We continue to develop new strategies for streamlining internal and external practices using technology such as online account opening, an online education center, and remote appointments.

Employing a stockholder-focused management of capital.

Maintaining a strong capital base is critical to support our long-range business plan. We intend to continue to manage our capital position through the growth of assets, as well as the utilization of appropriate capital management tools, consistent with applicable regulations and policies, and subject to market conditions. Under current federal regulations, subject to limited exceptions, we were not able to repurchase shares of our common stock during the first year following the completion of our second-step conversion offering, which occurred on March 24, 2021. On March 11, 2022, the Company issued a press release announcing that the Company's Board of Directors had authorized a stock repurchase program to acquire up to 758,528 shares of the Company's outstanding common stock, or approximately 5.0% of outstanding shares. That stock repurchase program became effective on March 25, 2022. On June 9, 2022, the Company issued a press release announcing that the Company's Board of Directors had authorized a second stock repurchase program to acquire up to 771,445 shares, or approximately 5.0%, of the Company's outstanding stock, commencing upon the completion of the Company's first stock repurchase program. On August 18, 2022, the Company issued a press release announcing that the Company's Board of Directors had authorized a third stock repurchase program to acquire up to 739,385 shares, or approximately 5.0%, of the Company's outstanding common stock, commencing upon the completion of the Company's second stock repurchase program. On February 17, 2023, the Company issued a press release announcing that the Company's Board of Directors had authorized a fourth stock repurchase program to acquire up to 698,312 shares, or approximately 5.0%, of the Company's outstanding common stock, commencing upon the completion of the Company's third stock repurchase program. The Company completed this stock repurchase program on May 31, 2023. On May 5, 2023, the Company issued a press release announcing that the Company's Board of Directors had authorized a fifth stock repurchase program to acquire up to 1,281,019 shares, or approximately 10.0%, of the Company's outstanding common stock, commencing upon the completion of the Company's fourth stock repurchase program. The Company completed this stock repurchase program on August 28, 2023. On August 29, 2023, the Company issued a press release announcing that the Company's Board of Directors had authorized a sixth stock repurchase program to acquire up to 1,138,470 shares, or approximately 10.0%, of the Company's outstanding common stock. The sixth stock repurchase program was authorized following the completion of the Company's fifth stock repurchase program on August 28, 2023. The Company completed this stock repurchase program on October 30, 2023. On October 18, 2023, the Company issued a press release announcing that the Company's Board of Directors had authorized a seventh stock repurchase program to acquire up to 1,046,610 shares, or approximately 10.0%, of the Company's outstanding common stock. The seventh stock repurchase program was authorized following the completion of the Company's sixth stock repurchase program on October 30, 2023. As of September 5, 2024, there were 49,542 shares remaining to be purchased under the Company's seventh repurchase program.

On July 21, 2021, the Company declared a one-time special dividend of \$0.30 per common share, payable August 18, 2021, to common shareholders of record at the close of business on August 2, 2021. During the fiscal year ended June 30, 2022, the Company paid regular cash dividends of \$0.06 per common share, including dividends of \$0.03 per common share for the quarters ended March 31, 2022 and June 30, 2022, but did not pay regular cash dividends during the quarters ended September 30, 2021 and December 31, 2022. During the fiscal years ended June 30, 2024 and 2023, the Company paid regular cash dividends totaling an aggregate of \$0.12 per common share, consisting of quarterly cash dividends of \$0.03 per common share for each of the four fiscal quarters. As previously disclosed, the Company's Board of Directors had declared a cash dividend of \$0.03 per share, that was paid on August 8, 2024, to common shareholders of record at the close of business on July 29, 2024. In determining the amount of any future dividends, the board of directors will consider the Company's financial condition and results of operations, tax considerations, capital requirements and alternative uses for capital, industry standards, and economic conditions. The Company cannot guarantee that it will continue to pay dividends or that, if paid, it will not reduce or eliminate dividends in the future.

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 year ended June 30, 2024 discusses significant accounting policies, including the allowance for credit losses and the adoption of Accounting Standards Codification ("ASC") 326, which changed the methodology under which management calculates its reserve for loans, investment securities and unfunded loan commitments, 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 Accounting Standards Update ("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 FDIC 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 \$3.3 million as of June 30, 2024 in non-performing assets consisting of non-performing loans. Most of these loans are collateral dependent assets where we may have to incur 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 June 30, 2024 and June 30, 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.

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, 2024, the Company 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 exists during the year ended June 30, 2024.

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 tax authorities and newly 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 June 30, 2024 and 2023, we had net deferred tax assets totaling \$9.6 million and \$9.5 million, respectively. 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 statement 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 though our statement of operations, the effect of which would be material.

Balance Sheet Analysis

Comparison of Financial Condition at June 30, 2024 and 2023

Total assets decreased \$28.9 million, or 3.4%, to \$818.7 million at June 30, 2024, from \$847.6 million at June 30, 2023, primarily due to a \$21.0 million decrease in available for sale and held to maturity investments and a \$6.9 million decrease in net loans. The Company used \$38.0 million of cash during the year ended June 30, 2024 to repurchase shares of stock under its previously announced stock repurchase programs.

Cash and cash equivalents decreased \$595 thousand, or 2.9%, to \$20.2 million at June 30, 2024, from \$20.8 million at June 30, 2023. The decrease in cash and cash equivalents was primarily due to the repurchase of 3,117,615 shares at a total cost of \$38.0 million, a \$5.5 million decrease in deposits and \$1.2 million of cash dividend payments to shareholders, partially offset by a \$14.0 million increase in advances from the FHLB of Pittsburgh, approximately \$19.3 million of investment principal paydowns, a \$6.9 million decrease in net loans, and \$3.3 million of net proceeds from the purchase and sale of investment securities.

Investments

Our investment portfolio consists primarily of corporate bonds with maturities of five to ten years, municipal securities with maturities of five to more than ten years and mortgage-backed securities issued by Fannie Mae, Freddie Mac or Ginnie Mae with stated final maturities of 30 years or less. Total investments decreased \$20.6 million, or 7.7%, to \$245.8 million at June 30, 2024, from \$266.4 million at June 30, 2023. The decrease in investments was primarily due to approximately \$19.3 million of principal paydowns of securities included in the available for sale and held to maturity portfolios and \$3.3 million of net proceeds from the purchase and sale of investment securities, partially offset by a \$1.8 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.

The following table sets forth the amortized cost and fair value of investment securities at the dates indicated:

(Dollars in thousands)	At June 30,			
	2024		2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Securities available for sale:				
Mortgage-backed securities	\$ 112,439	\$ 95,125	\$ 124,252	\$ 106,756
U.S. agency collateralized mortgage obligations	8,937	7,200	10,074	8,292
U.S. government agency securities	769	693	3,881	3,932
Municipal bonds	19,999	14,969	20,081	14,979
Corporate bonds	37,200	32,768	37,200	31,168
Total securities available for sale	179,344	150,755	195,488	165,127
Securities held to maturity:				
Mortgage-backed securities	87,526	71,310	94,648	77,373
U.S. government agency securities	5,482	5,469	4,982	4,880
Municipal bonds	48	48	60	60
Total securities held to maturity	93,056	76,827	99,690	82,313
Total investment securities	\$ 272,400	\$ 227,582	\$ 295,178	\$ 247,440

The following tables set forth the stated maturities and weighted average yields of investment securities at June 30, 2024. The weighted average yield is calculated by dividing income, which has not been tax effected on tax-exempt obligations, within each contractual maturity range by the outstanding amount of the related investment. Certain securities have adjustable interest rates and will reprice monthly, quarterly, semi-annually or annually within the various maturity ranges. The table presents contractual maturities for mortgage-backed securities and does not reflect repricing or the effect of prepayments.

June 30, 2024 (Dollars in thousands)	One Year or Less		More than One Year to Five Years		More than Five Years to Ten Years		More than Ten Years		Total	
	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield
	Securities available for sale:									
Mortgage-backed securities	\$ —	— %	\$ —	— %	\$ —	— %	\$ 95,125	2.24 %	\$ 95,125	2.24 %
U.S. agency collateralized mortgage obligations	—	—	—	—	—	—	7,200	2.69	7,200	2.69
U.S. government agency securities	2	8.36	—	—	—	—	691	8.87	693	8.87
Municipal bonds	—	—	—	—	4,169	2.29	10,800	2.43	14,969	2.39
Corporate bonds	—	—	—	—	32,768	4.07	—	—	32,768	4.07
Total securities available for sale	2	—	—	—	36,937	3.86	113,816	2.32	150,755	2.69
Securities held to maturity:										
Mortgage-backed securities	—	—	—	—	—	—	87,526	1.59	87,526	1.59
U.S. agency collateralized mortgage obligations	5,482	2.57	—	—	—	—	—	—	5,482	5.40
Municipal bonds	48	5.40	—	—	—	—	—	—	48	2.57
Total securities held to maturity	5,530	2.59	—	—	—	—	87,526	1.59	93,056	1.65
Total investment securities	\$ 5,532	2.59 %	\$ —	— %	\$ 36,937	3.86 %	\$ 201,342	2.04 %	\$ 243,811	2.33 %

Loans

Our loan portfolio consists primarily of one-to four-family residential mortgage loans, one-to four-family commercial real estate investor loans and non-residential commercial real estate loans. Our loan portfolio also consists of residential construction, home equity and lines of credit, multi-family residential real estate, commercial, construction and consumer loans. Net loans decreased \$6.9 million, or 1.5%, to \$470.6 million at June 30, 2024, from \$477.5 million at June 30, 2023. The interest rate environment has caused a slowdown in borrower demand, and the Company continues to maintain conservative lending practices and pricing discipline.

The following table shows the loan portfolio at the dates indicated:

(Dollars in thousands)	At June 30,			
	2024		2023	
	Amount	Percent	Amount	Percent
Residential real estate loans:				
One- to four-family	\$ 127,911	27.00 %	\$ 135,046	28.08 %
Home equity and HELOCs	30,767	6.50	32,684	6.79
Residential construction	8,802	1.86	9,113	1.90
Total residential real estate loans	167,480	35.36	176,843	36.77
Commercial real estate loans:				
One- to four-family investor	92,284	19.49	98,160	20.41
Multi-family	15,619	3.30	15,281	3.18
Commercial non-residential	158,481	33.46	157,555	32.77
Commercial construction and land	22,687	4.79	15,584	3.24
Total commercial real estate loans	289,071	61.04	286,580	59.60
Commercial loans	15,090	3.19	15,433	3.21
Consumer loans	1,920	0.41	2,000	0.42
Total loans	473,561	100.00 %	480,856	100.00 %
Allowance for credit losses	(2,989)		(3,313)	
Loans, net	\$ 470,572		\$ 477,543	

The following table sets forth certain information at June 30, 2024 regarding the dollar amount of loan principal repayments becoming due during the periods indicated. The table below does not include any estimate of prepayments which significantly shorten the average life of all loans and may cause our actual repayment experience to differ from that shown below. Demand loans having no stated schedule of repayments and no stated maturity are reported as due in one year or less.

June 30, 2024 (Dollars in thousands)	One- to Four-Family Residential	Home Equity and HELOCs	Residential Construction	One- to Four-Family Investor	Multi- Family	Commercial Non- Residential	Commercial Construction and Land	Commercial	Consumer	Total Loans
Amounts due in:										
One year or less	\$ 149	\$ 1,510	\$ 6,387	\$ 3,217	\$ 325	\$ 10,102	\$ 2,049	\$ 8,167	\$ 439	\$ 32,345
More than 1 – 5 years	4,559	3,261	2,415	8,073	379	22,051	20,638	1,484	179	63,039
More than 5 – 15 years	41,853	12,847	—	45,199	3,777	89,704	—	5,439	618	199,437
More than 15 years	81,350	13,149	—	35,795	11,138	36,624	—	—	684	178,740
Total	\$ 127,911	\$ 30,767	\$ 8,802	\$ 92,284	\$ 15,619	\$ 158,481	\$ 22,687	\$ 15,090	\$ 1,920	\$ 473,561

The following table sets forth all loans at June 30, 2024 that are due after June 30, 2025 and have either fixed interest rates or floating or adjustable interest rates:

At June 30, 2024 (Dollars in thousands)	Due After June 30, 2025		
	Fixed Rates	Floating or Adjustable Rates	Total
Residential real estate loans:			
One- to four-family	\$ 107,246	\$ 20,516	\$ 127,762
Home equity and HELOCs	10,457	18,800	29,257
Residential construction	—	2,415	2,415
Commercial real estate loans:			
One- to four-family investor	24,873	64,194	89,067
Multi-family	3,268	12,026	15,294
Commercial non-residential	20,601	127,778	148,379
Commercial construction and land	2,474	18,164	20,638
Commercial loans	1,238	5,685	6,923
Consumer loans	274	1,207	1,481
Total	\$ 170,431	\$ 270,785	\$ 441,216

Premises and equipment held for sale

As of June 30, 2024, the Company has two properties with a total carrying value of \$2.2 million in the held for sale classification included in accrued interest receivable and other assets on the Company's consolidated statements of financial condition. The Company intends to sell these properties by December 31, 2024.

Deposits

Deposits are a major source of our funds for lending and other investment purposes, and our deposits are provided primarily by individuals within our market area. Deposits decreased \$5.5 million, or 0.9%, to \$629.8 million at June 30, 2024, from \$635.3 million at June 30, 2023. The decrease in deposits was primarily due to a \$31.6 million decrease in money market accounts and an \$8.1 million decrease in savings accounts, partially offset by a \$16.2 million increase in interest bearing checking accounts and a \$14.3 million increase in certificate of deposit accounts. The interest rate environment has created significant pricing competition for deposits within our market.

The following table sets forth the deposits as a percentage of total deposits for the dates indicated:

(Dollars in thousands)	At June 30,			
	2024		2023	
	Amount	Percent of Total Deposits	Amount	Percent of Total Deposits
Non-interest bearing checking	\$ 64,627	10.26 %	\$ 60,872	9.58 %
Interest bearing checking	132,927	21.11	116,700	18.37
Money market accounts	176,422	28.01	208,020	32.75
Savings and club accounts	82,173	13.05	90,291	14.21
Certificates of deposit	173,661	27.57	159,377	25.09
Total	<u>\$ 629,810</u>	<u>100.00 %</u>	<u>\$ 635,260</u>	<u>100.00 %</u>

The following table sets forth the maturity of the portion of our certificates of deposit that are in excess of the \$250,000 Federal Deposit Insurance Corporation insurance limit as of June 30, 2024:

June 30, 2024 (Dollars in thousands)	Certificates of Deposit
Maturity Period:	
Three months or less	\$ 7,940
Over three through six months	8,463
Over six through twelve months	12,674
Over twelve months	260
Total	<u>\$ 29,337</u>

Excluding intercompany deposits, the estimated amount of total uninsured and uncollateralized deposits as of June 30, 2024 was \$108.2 million compared to \$112.0 million as of June 30, 2023.

The following table sets forth the deposit activity for the periods indicated:

(Dollars in thousands)	Year Ended June 30,	
	2024	2023
Beginning balance	\$ 635,260	\$ 606,617
(Decrease) increase before interest credited	(17,925)	23,186
Interest credited	12,475	5,457
Net (decrease) increase in deposits	(5,450)	28,643
Ending balance	<u>\$ 629,810</u>	<u>\$ 635,260</u>

The following table sets forth the average balances and weighted average rates of our deposit products for the periods indicated:

	Year Ended June 30,					
	2024			2023		
	Average Balance	Weighted Percent	Average Cost	Average Balance	Weighted Percent	Average Cost
Non-interest bearing checking accounts	\$ 56,594	9.03 %	— %	\$ 61,144	9.90 %	— %
Interest-bearing checking accounts	130,150	20.77	1.42	127,294	20.61	0.40
Money market deposit accounts	191,312	30.54	2.97	190,421	30.82	1.61
Savings and club accounts	84,719	13.52	0.06	97,831	15.84	0.08
Certificates of deposit	163,814	26.14	2.98	141,047	22.83	1.28
Total	<u>\$ 626,589</u>	<u>100.00 %</u>	<u>1.99 %</u>	<u>\$ 617,737</u>	<u>100.00 %</u>	<u>0.88 %</u>

Borrowings

Borrowings increased \$14.0 million, or 41.2%, to \$48.0 million at June 30, 2024, from \$34.0 million at June 30, 2023. During the year ended June 30, 2024, the Company borrowed from the FHLB of Pittsburgh to fund a portion of the \$38.0 million of share repurchases.

The following table sets forth the outstanding borrowings and weighted averages at the dates or for the periods indicated. We did not have any outstanding borrowings other than FHLB advances for any of the periods presented.

(Dollars in thousands)	At or For the Year Ended June 30,	
	2024	2023
Maximum amount outstanding at any month-end during period:		
Federal Home Loan Bank advances	\$ 71,000	\$ 65,000
Atlantic Community Bankers Bank overnight borrowings	—	—
Average outstanding balance during period:		
Federal Home Loan Bank advances	\$ 51,019	\$ 46,938
Atlantic Community Bankers Bank overnight borrowings	2	4
Weighted average interest rate during period:		
Federal Home Loan Bank advances	5.75 %	3.96 %
Atlantic Community Bankers Bank overnight borrowings	4.55	4.55
Balance outstanding at end of period:		
Federal Home Loan Bank advances	\$ 48,000	\$ 34,000
Atlantic Community Bankers Bank overnight borrowings	—	—
Weighted average interest rate at end of period:		
Federal Home Loan Bank advances	5.65 %	5.35 %
Atlantic Community Bankers Bank overnight borrowings	—	—

Stockholders' Equity

Stockholders' equity decreased \$36.1 million, or 22.5%, to \$124.6 million at June 30, 2024, from \$160.7 million at June 30, 2023. The decrease in stockholders' equity was primarily due to the repurchase of 3,117,615 shares at a total cost of \$38.0 million, or \$12.18 per share, during the year ended June 30, 2024 under the Company's previously announced stock repurchase programs, the payment of cash dividends totaling \$1.2 million, 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 \$1.4 million decrease in the accumulated other comprehensive loss component of equity related to the unrealized loss on available for sale securities and \$168 thousand of net income during the year ended June 30, 2024.

Results of Operations for the Years Ended June 30, 2024 and 2023

Summary

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

(Dollars in thousands)	Year Ended June 30,			
	2024	2023	Change 2024/2023	
			\$	%
Net interest income	\$ 17,121	\$ 23,071	\$ (5,950)	(25.79)%
Recovery for credit losses	(606)	—	(606)	(100.00)
Non-interest income	2,836	1,950	886	45.44
Non-interest expenses	20,853	22,019	(1,166)	(5.30)
Income tax (benefit) expense	(458)	200	(658)	(329.00)
Net income	<u>\$ 168</u>	<u>\$ 2,802</u>	<u>\$ (2,634)</u>	<u>(94.00)</u>
Return on average assets	0.02 %	0.33 %		
Core return on average assets ⁽¹⁾ (non-GAAP)	(0.02)	0.32		
Return on average equity	0.13	1.56		
Core return on average equity ⁽¹⁾ (non-GAAP)	(0.16)	1.54		

(1) Core return on average assets and core return on average equity are non-GAAP financial measures. For a reconciliation of these non-GAAP measures, see “—Non-GAAP Financial Information.”

General

We recorded net income of \$168 thousand, or \$0.02 per basic and diluted share, for the year ended June 30, 2024 compared to net income of \$2.8 million, or \$0.22 per basic and diluted share, for the year ended June 30, 2023. We recorded a core net loss⁽¹⁾ of \$205 thousand, or \$(0.02) per basic and diluted share, for the year ended June 30, 2024 compared to core net income⁽¹⁾ of \$2.8 million, or \$0.22 per basic and diluted share, for the year ended June 30, 2023.

Net Interest Income

For the year ended June 30, 2024, net interest income was \$17.1 million, a decrease of \$6.0 million, or 25.8%, from the year ended June 30, 2023. 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 2.30% for the year ended June 30, 2024, compared to 2.97% for the year ended June 30, 2023. The decrease in the net interest margin during the year ended June 30, 2024, compared to the same period in 2023, was primarily due to an increase in the average balance of borrowings and 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 year ended June 30, 2024, we recorded a \$606 thousand recovery for credit losses primarily due to consistently low levels of net charge-offs, strong asset quality metrics and continued conservative lending practices. During the year ended June 30, 2023, we did not record a provision for credit losses due to improved asset quality metrics and continued low levels of net charge-offs and non-performing assets. Our ACL totaled \$3.0 million, or 0.63% of total loans, as of June 30, 2024, compared to \$3.3 million, or 0.69% of total loans, as of June 30, 2023. Our total credit losses coverage ratio⁽²⁾, including \$2.2 million of fair value marks on acquired loans and the \$3.0 million allowance for credit losses, was 1.08% as of June 30, 2024 compared to 1.20% as of June 30, 2023, including \$2.5 million of fair value marks on acquired loans and the \$3.3 million allowance for credit losses. As of June 30, 2024, management believes

(1) Core net income is a non-GAAP financial measure. For a reconciliation of this non-GAAP measure, see “—Non-GAAP Financial Information.”

(2) Total credit losses coverage ratio is a non-GAAP financial measure. For a reconciliation of this non-GAAP measure, see “—Non-GAAP Financial Information.”

that the allowance is maintained at a level that represents its best estimate of lifetime credit losses. Total credit losses coverage ratio is a non-GAAP financial measure that includes the fair value mark on acquired loans.

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 credit losses, and future provisions for credit losses could materially adversely affect our operating results. In addition, various 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:

(Dollars in thousands)	Year Ended June 30,	
	2024	2023
Service fees	\$ 883	\$ 843
Net loss on sale of other real estate owned	(4)	—
Net gain on sale of securities	102	—
Earnings on bank-owned life insurance	1,244	1,106
Net gain on disposition of premises and equipment	—	398
Unrealized gain (loss) on equity securities	387	(629)
Other	224	232
Total	<u>\$ 2,836</u>	<u>\$ 1,950</u>

For the year ended June 30, 2024, non-interest income totaled \$2.8 million, an increase of \$886 thousand, or 45.4%, from the year ended June 30, 2023. The increase was primarily due to a \$1.0 million increase in the unrealized gain on equity securities from a \$629 thousand unrealized loss during the year ended June 30, 2023 to a \$387 thousand unrealized gain during the year ended June 30, 2024, as well as a \$137 thousand increase in earnings on bank-owned life insurance and a \$102 thousand net gain on the sale of securities recorded during the year ended June 30, 2024. These increases to non-interest income were partially offset by a \$398 thousand net gain on the sale of premises and equipment primarily associated with the sale of two properties recorded during the year ended June 30, 2023.

Non-Interest Expense

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

(Dollars in thousands)	Year Ended June 30,	
	2024	2023
Salaries and employee benefits	\$ 11,778	\$ 12,785
Occupancy and equipment	2,980	3,258
Data processing	2,032	1,836
Professional fees	841	906
Amortization of intangible assets	163	193
Other	3,059	3,041
Total	<u>\$ 20,853</u>	<u>\$ 22,019</u>

For the year ended June 30, 2024, non-interest expense totaled \$20.9 million, a decrease of \$1.2 million, or 5.3%, from the year ended June 30, 2023. The decrease in non-interest expense was primarily due to a \$1.0 million 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 \$278 thousand decrease in occupancy and equipment expense consistent with the closure of the Bank's branch office located in Collingswood, New Jersey effective December 31, 2022. These decreases to non-interest expense were partially offset by a \$196 thousand increase in data processing expense.

Income Taxes

For the year ended June 30, 2024, the Company recorded a \$458 thousand income tax benefit, reflecting an effective tax rate of (157.9)%, compared to a provision for income taxes of \$200 thousand, reflecting an effective tax rate of 6.7%, for the year ended June 30, 2023. The income tax benefit recorded during the year ended June 30, 2024 was primarily due to the \$290 thousand loss before income taxes coupled with the \$1.2 million of federal tax-exempt income recorded on bank-owned life insurance. 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 year ended June 30, 2023.

Average Balances and Yields

The following tables present 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)	Year Ended June 30,					
	2024			2023		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
Interest-earning assets:						
Loans ⁽¹⁾	\$ 476,507	\$ 25,129	5.27 %	\$ 483,802	\$ 22,942	4.74 %
Investment securities ⁽²⁾	256,030	6,688	2.61	278,373	6,780	2.44
Other interest-earning assets	11,906	708	5.95	15,515	664	4.28
Total interest-earning assets	744,443	32,525	4.37	777,690	30,386	3.91
Non-interest-earning assets	82,483			82,589		
Total assets	<u>\$ 826,926</u>			<u>\$ 860,279</u>		
Interest-bearing liabilities:						
Interest-bearing checking accounts	\$ 130,150	1,846	1.42 %	\$ 127,294	515	0.40 %
Money market deposit accounts	191,312	5,689	2.97	190,421	3,057	1.61
Savings and club accounts	84,719	52	0.06	97,831	78	0.08
Certificates of deposit	163,814	4,885	2.98	141,047	1,806	1.28
Total interest-bearing deposits	569,995	12,472	2.19	556,593	5,456	0.98
FHLB advances and other borrowings	51,021	2,932	5.75	46,942	1,859	3.96
Total interest-bearing liabilities	621,016	15,404	2.48	603,535	7,315	1.21
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	56,594			61,144		
Other non-interest-bearing liabilities	17,468			15,758		
Total liabilities	695,078			680,437		
Total stockholders' equity	131,848			179,842		
Total liabilities and equity	<u>\$ 826,926</u>			<u>\$ 860,279</u>		
Net interest income		<u>\$ 17,121</u>			<u>\$ 23,071</u>	
Interest rate spread ⁽³⁾		1.89 %			2.70 %	
Net interest-earning assets ⁽⁴⁾	\$ 123,427			\$ 174,155		
Net interest margin ⁽⁵⁾		2.30 %			2.97 %	
Ratio of interest-earning assets to interest-bearing liabilities	119.88%			128.86%		

(1) Includes nonaccrual loan balances and interest, if any, recognized on such loans.

(2) Includes securities available for sale and securities held to maturity.

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

(4) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.

(5) 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 the changes due to volume.

(Dollars in thousands)	Year Ended June 30, 2024 Compared to Year Ended June 30, 2023		
	Increase (Decrease)		
	Volume	Rate	Total
Interest income:			
Loans	\$ (351)	\$ 2,538	\$ 2,187
Investment securities	(565)	473	(92)
Other interest-earning assets	(177)	221	44
Total interest-earning assets	(1,093)	3,232	2,139
Interest expense:			
Interest-bearing checking accounts	11	1,320	1,331
Money market deposit accounts	14	2,618	2,632
Savings and club accounts	(14)	(12)	(26)
Certificates of deposit	238	2,841	3,079
Total interest-bearing deposits	249	6,767	7,016
FHLB advances and other borrowings	144	929	1,073
Total interest-bearing liabilities	393	7,696	8,089
Net change in net interest income	\$ (1,486)	\$ (4,464)	\$ (5,950)

Risk Management

General

Managing risk is an essential part of successfully managing a financial institution. Our most prominent risk exposures are credit risk, interest rate risk and market risk. Credit risk is the risk of not collecting the interest and/or the principal balance of a loan or investment when it is due. Interest rate risk is the potential reduction of net interest income as a result of changes in interest rates. Market risk arises from fluctuations in interest rates that may result in changes in the values of financial instruments, such as available for sale securities that are accounted for at fair value. Other risks that we face are operational risk, liquidity risk and reputation risk. Operational risk includes risks related to fraud, regulatory compliance, processing errors, technology, and disaster recovery. Liquidity risk is the possible inability to fund obligations to depositors, lenders or borrowers. Reputation risk is the risk that negative publicity or press, whether true or not, could cause a decline in our customer base or revenue.

Management of Credit Risk

The objective of our credit risk management strategy is to quantify and manage credit risk and to limit the risk of loss resulting from an individual customer default. Our credit risk management strategy focuses on conservatism, diversification within the loan portfolio and significant levels of monitoring. Our lending practices include conservative exposure limits and underwriting, extensive documentation and collection standards. Our credit risk management strategy also emphasizes diversification on both an industry and customer level as well as regular credit examinations and management reviews of large credit exposures and credits experiencing deterioration of credit quality.

Classified Assets

FDIC regulations and our Asset Classification Policy provide that loans and other assets considered to be of lesser quality be classified as “substandard,” “doubtful” or “loss” assets. An asset is considered “substandard” if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” that the institution will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses inherent in those classified as “substandard,” with the added characteristic that the weaknesses present make

“collection or liquidation in full,” on the basis of currently existing facts, conditions and values, “highly questionable and improbable.” Assets classified as “loss” are those considered “uncollectible” and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. We classify an asset as “special mention” if the asset has a potential weakness that warrants management’s escalated level of attention. While such assets are not impaired, management has concluded that if the potential weakness in the asset is not addressed, the value of the asset may deteriorate, adversely affecting the repayment of the asset. Loans classified as impaired for financial reporting purposes are generally those loans classified as substandard or doubtful for regulatory reporting purposes.

An insured institution is required to establish allowances for credit losses in an amount deemed prudent by management for loans classified as substandard or doubtful, as well as for other problem loans. General allowances represent loss allowances which have been established to recognize the inherent losses associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as “loss,” it is required to charge off such amounts. An institution’s determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the FDIC and the Pennsylvania Department of Banking and Securities.

The following table sets forth information with respect to our non-performing assets at the dates indicated.

(Dollars in thousands)	At June 30,	
	2024	2023
Non-accrual loans:		
Residential real estate loans:		
One- to four-family	\$ 1,221	\$ 2,090
Home equity and HELOCs	426	—
Residential construction	—	—
Total residential real estate loans	1,647	2,090
Commercial real estate loans:		
One- to four-family investor	1,007	832
Multi-family	194	251
Commercial non-residential	337	778
Commercial construction and land	—	—
Total commercial real estate loans	1,538	1,861
Commercial loans	—	—
Consumer loans	126	82
Total non-accrual loans	3,311	4,033
Accruing loans past due 90 days or more:		
Residential real estate loans:		
One- to four-family	—	—
Home equity and HELOCs	—	—
Residential construction	—	—
Total residential real estate loans	—	—
Commercial real estate loans:		
Multi-family	—	—
Commercial non-residential	—	—
Commercial construction and land.	—	—
Total commercial real estate loans	—	—
Commercial loans	—	—
Consumer loans	—	—
Total accruing loans past due 90 days or more	—	—
Total non-performing loans	\$ 3,311	\$ 4,033
Real estate owned	—	—
Total non-performing assets	\$ 3,311	\$ 4,033
Total non-performing loans to total loans	0.70 %	0.84 %
Total non-performing assets to total assets	0.40	0.49

During the year ended June 30, 2024, nonperforming assets decreased 20.7% to \$3.3 million from \$4.2 million as of June 30, 2023. The Company's ratio of non-performing assets to total assets decreased to 0.40% as of June 30, 2024 from 0.49% as of June 30, 2023.

Total nonperforming loans consisted of 30 loans to 27 unrelated borrowers as of June 30, 2024 and June 30, 2023. Interest income on non-performing loans would have increased by approximately \$167 thousand and \$192 thousand during the years ended June 30, 2024 and 2023, respectively, if these loans had performed in accordance with their terms during the respective periods. There were no loans greater than 90 days delinquent that remained on accrual status as of June 30, 2024 and 2023.

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 difficulties during the years ended June 30, 2024 and 2023.

At June 30, 2024, none of our 30 substandard loans with an aggregate balance of \$3.3 million were considered loans modified to borrowers experiencing financial difficulties and were included in nonperforming assets. At June 30, 2023, none of our 30 substandard loans with an aggregate balance of \$4.0 million were considered loans modified to borrowers experiencing financial difficulties and were included in nonperforming assets.

The following table provides information about delinquencies in our loan portfolio at the dates indicated:

(Dollars in thousands)	At June 30,					
	2024			2023		
	Days Past Due			Days Past Due		
	30-59	60-89	90 or more	30-59	60-89	90 or more
Residential real estate loans:						
One- to four-family	\$ 153	\$ 539	\$ 162	\$ 290	\$ 457	\$ 567
Home equity and HELOCs	49	—	—	—	—	—
Residential construction	—	—	—	—	—	—
Commercial real estate loans:						
One- to four-family investor	85	930	—	—	752	—
Multi-family	—	—	—	251	—	—
Commercial non-residential	60	—	337	—	322	778
Commercial construction and land	—	—	—	—	—	—
Commercial loans	—	—	—	—	—	—
Consumer loans	—	—	18	—	13	—
Total	\$ 347	\$ 1,469	\$ 517	\$ 541	\$ 1,544	\$ 1,345

The following table summarizes classified and criticized assets of all portfolio types at the dates indicated:

(Dollars in thousands)	At June 30,	
	2024	2023
Classified loans:		
Substandard	\$ 3,311	\$ 4,033
Doubtful	—	—
Loss	—	—
Total classified loans	3,311	4,033
Special mention	889	1,231
Total criticized loans ⁽¹⁾	\$ 4,200	\$ 5,264

(1) Criticized residential real estate and consumer loans include all residential real estate and consumer loans that were on non-accrual status and all residential and consumer loans that were greater than 90 days delinquent on the dates presented.

On the basis of management's review of its assets, at June 30, 2024 and 2023, we classified \$889 thousand and \$1.2 million, respectively, of our assets as special mention and \$3.3 million and \$4.0 million, respectively, of our assets as substandard. We classified none of our assets as doubtful or loss at June 30, 2024 or at June 30, 2023. The loan portfolio is reviewed on a regular basis to determine whether any loans require classification in accordance with applicable regulations. Not all classified assets constitute nonperforming assets.

Allowance for Credit Losses on Loans

The Company maintains its ACL at a level that management believes to be appropriate to absorb estimated lifetime credit losses as of the date of the Consolidated Statements of Financial Condition. The Company established its allowance in accordance with the guidance included in ASC 326, *Financial Instruments – Credit Losses*. 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 lifetime expected credit losses, that considers our historical loss experience, the historical loss experience of a peer group of banks identified by management, current conditions and the forecast 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 \$2.0 million of accrued interest receivable as of June 30, 2024 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.

The ACL analysis is presented and discussed quarterly with the current expected credit losses ("CECL") committee, which consists of executive management, including the CEO, and is also presented and reviewed with the board of directors. In addition, the FDIC and the Pennsylvania Department of Banking and Securities, as an integral part of their examination process, periodically review our ACL.

The following table sets forth the breakdown of the allowance for credit losses by loan category at the dates indicated:

(Dollars in thousands)	At June 30,					
	2024			2023		
	Amount	% of Allowance Amount to Total Allowance	% of Allowance to Loans in Category	Amount	% of Allowance Amount to Total Allowance	% of Allowance to Loans in Category
Residential real estate loans:						
One- to four-family	\$ 325	10.87 %	0.25 %	\$ 486	14.67 %	0.36 %
Home equity and HELOCs	100	3.35	0.33	113	3.42	0.35
Residential construction	31	1.04	0.35	214	6.46	2.35
Commercial real estate loans:						
One- to four-family investor	268	8.97	0.29	569	17.17	0.58
Multi-family	32	1.07	0.20	89	2.69	0.58
Commercial non-residential	1,533	51.28	0.97	1,420	42.85	0.90
Commercial construction and land	147	4.92	0.65	281	8.48	1.80
Commercial loans	304	10.17	2.01	82	2.48	0.53
Consumer loans	249	8.33	12.97	59	1.78	2.95
Total allowance for credit losses	<u>\$ 2,989</u>	<u>100.00 %</u>	0.63 %	<u>\$ 3,313</u>	<u>100.00 %</u>	0.69 %

The following table sets forth an analysis of the activity in the allowance for credit losses for the periods indicated:

(Dollars in thousands)	At or For the Year Ended June 30,	
	2024	2023
Allowance at beginning of period	\$ 3,313	\$ 3,409
Impact of adopting ASU 2016-13	243	—
Recovery for credit losses	(583)	—
Charge-offs:		
Residential real estate loans:		
One- to four-family	—	(79)
Home equity and HELOCs	—	—
Residential construction	—	—
Total residential real estate loans	—	(79)
Commercial real estate loans:		
One- to four-family investor	—	—
Multi-family	—	—
Commercial non-residential	—	—
Commercial construction and land	—	—
Total commercial real estate loans	—	—
Commercial loans	—	—
Consumer loans	(13)	(32)
Total charge-offs	(13)	(111)
Recoveries:		
Residential real estate loans:		
One- to four-family	—	—
Home equity and HELOCs	—	—
Residential construction	—	—
Total residential real estate loans	—	—
Commercial real estate loans:		
One- to four-family investor	—	—
Multi-family	—	—
Commercial non-residential	—	—
Commercial construction and land	—	—
Total commercial real estate loans	—	—
Commercial loans	—	—
Consumer loans	29	15
Total recoveries	29	15
Net (charge-offs) recoveries	16	(96)
Allowance at end of period	\$ 2,989	\$ 3,313
Total loans ⁽¹⁾	\$ 473,561	\$ 480,856
Average loans outstanding	476,507	483,802
Ratio of allowance to non-accruing loans	90.27 %	82.15 %
Ratio of allowance to total loans	0.63 %	0.69 %
Ratio of net recoveries (charge-offs) to average loans		
One- to four-family	— %	(0.06)%
Home equity and HELOCs	— %	— %
Residential construction	— %	— %
One- to four-family investor	— %	— %
Multi-family	— %	— %
Commercial non-residential	— %	— %
Commercial construction and land	— %	— %
Commercial loans	— %	— %
Consumer loans	0.82 %	(0.80)%
Total ratio of net recoveries (charge-offs) to average loans	— %	(0.02)%

The allowance for credit losses decreased \$324 thousand to \$3.0 million at June 30, 2024 from \$3.3 million at June 30, 2023. During the year ended June 30, 2024, the changes in the provision for credit losses for each category of loan type were primarily due to fluctuations in the outstanding balance of each category of loans collectively evaluated for impairment and the adoption of ASU 2016-13. The overall decrease in the allowance can be primarily attributed to consistently low levels of net charge-offs, strong asset quality metrics and continued conservative lending practices.

The allowance for credit losses decreased \$96 thousand to \$3.3 million at June 30, 2023 from \$3.4 million at June 30, 2022. During the year ended June 30, 2023, the changes in the provision for loan losses for each category of loan type were primarily due to fluctuations in the outstanding balance of each category of loans collectively evaluated for impairment. The overall decrease in the allowance can be primarily attributed to improved asset quality metrics, including continued low levels of net charge-offs and non-performing assets.

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 Statements 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 \$170 thousand as of June 30, 2024 and is included within accrued interest receivable and other assets on the Company's Consolidated Statements 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 \$662 thousand as of June 30, 2024 and is included within accrued interest receivable and other assets on the Company's Consolidated Statements 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.

Interest Rate Risk Management

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 results at June 30, 2024 indicate a level of risk outside the parameters of our model for net interest income volatility in year one and within the parameters of our model in year two. Our management believes that the June 30, 2024 results indicate 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 June 30, 2024. 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 multifamily 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 June 30, 2024, the Company'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 Portfolio	
	Net Interest Income Percent of Change	Estimated NPV	Value Percent of Change
+200	(12.31)%	\$ 149,468	(2.89)%
+100	(6.10)	151,679	(1.45)
0	—	153,918	—
-100	3.57	153,674	(0.16)
-200	7.21	153,483	(0.28)

As of June 30, 2024, based on the scenarios above, net interest income would decrease by approximately 6.10% and 12.31% in a rising interest rate environment. One-year net interest income would increase by approximately 3.57% and 7.21% in a declining interest rate environment.

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

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 38.5% as of June 30, 2024 compared to 41.7% 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 advances from the FHLB of Pittsburgh. 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.

Our cash flows are derived from operating activities, investing activities and financing activities as reported in our Consolidated Statements of Cash Flows included with the Consolidated Financial Statements.

Our primary investing activities are the origination of one- to four-family, non-residential and multi-family real estate and other loans and the purchase of investment securities. For the year ended June 30, 2024, our net decrease in loans (principal payments and payoffs exceeded originations) totaled \$6.9 million compared to a \$2.0 million increase for the year ended June 30, 2023. For the years ended June 30, 2024 and 2023, we did not purchase or sell any loans. Cash received from the sales, calls, maturities and pay-downs on securities totaled \$24.8 million and \$19.0 million for the years ended June 30, 2024 and 2023, respectively. We purchased \$2.2 million and \$9.8 million of securities during the years ended June 30, 2024 and 2023, respectively.

Deposit flows are generally affected by the level of interest rates we offer, the interest rates and products offered by local competitors, and other factors. Total deposits decreased \$5.5 million during the year ended June 30, 2024 primarily due to a \$31.6 million decrease in money market accounts and an \$8.1 million decrease in savings accounts, partially offset by a \$16.2 million increase in interest bearing checking accounts and a \$14.3 million increase in certificate of deposit accounts. Total deposits increased \$28.6 million during the year ended June 30, 2023 primarily due to an increase in money market accounts and non-core time deposits. The significant rise in interest rates during the Company's fiscal year ended June 30, 2023 and elevated rate environment during the fiscal year ended June 30, 2024 created a highly competitive market for deposits and created a shift in our depositors' preference to these products.

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. 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 credit-worthiness have been met. We had an available borrowing limit of \$287.3 million and \$295.0 million from the FHLB of Pittsburgh as of June 30, 2024 and 2023, respectively. There were \$48.0 million and \$34.0 million, respectively, of FHLB advances outstanding at June 30, 2024 and 2023, respectively.

At June 30, 2024, we had outstanding commitments to originate loans of \$15.7 million, unfunded commitments under lines of credit of \$65.7 million and \$86 thousand of standby letters of credit. At June 30, 2024, certificates of deposit scheduled to mature in less than one year totaled \$154.3 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 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.

The Company is a separate legal entity from the Bank and must provide for its own liquidity. In addition to its operating expenses, the Company is responsible for paying any dividends declared to its stockholders, interest and principal on outstanding debt, if any, and for stock repurchases under the Company's previously announced stock repurchase programs. The Company's primary source of income is dividends received from the Bank. At June 30, 2024, the Company had liquid assets of \$6.2 million.

Off-Balance Sheet Arrangements

For the years ended June 30, 2024 and 2023, we did not engage in any off-balance sheet transactions reasonably likely to have a material adverse effect on our financial condition, results of operations or cash-flows.

Recent Accounting Pronouncements

For a discussion of the impact of recent accounting pronouncements, see Note 2 to the notes to the Consolidated Financial Statements of the Company.

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.

Non-GAAP Financial Information

We prepare our financial statements in accordance with U.S. GAAP. To supplement our financial information presented in accordance with U.S. GAAP, we provide 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.

Core Net Income, Core Return on Average Assets, and Core Return on Average Equity

Core net income excludes certain pre-tax adjustments and the tax impact of such adjustments, and income tax benefits. Core return on average assets and core return on average equity represent our core net income divided by average assets and average equity, respectively. Management believes that the presentation of these non-GAAP measures assists investors in understanding the impact of non-recurring items on our net income and return on average assets and our return on average equity ratios. The following table provides a reconciliation of our core net income and our core return on average assets and core return on average equity ratios for each of the periods where these non-GAAP measures are presented:

	For the Year Ended June 30,	
	2024	2023
Calculation of core net income, core return on average assets, and core return on average equity		
Net income (GAAP)	\$ 168	\$ 2,802
Less pre-tax adjustments:		
Net loss on sale of other real estate owned	4	-
Net gain on sale of securities	(102)	-
Net gain on disposition of premises and equipment	-	(398)
Unrealized (gain) loss on equity securities	(387)	629
Tax impact of pre-tax adjustments	112	(53)
Income tax benefit adjustment	-	(211)
Core net (loss) income (non-GAAP)	<u>\$ (205)</u>	<u>\$ 2,769</u>
Basic average common shares outstanding	9,017,723	12,661,882
Diluted average common shares outstanding	9,074,910	12,692,614
Basic and diluted earnings per share (GAAP)	\$ 0.02	\$ 0.22
Basic and diluted core (loss) earnings per share (non-GAAP)	\$ (0.02)	\$ 0.22
Average assets	\$ 826,926	\$ 860,279
Return on average assets (GAAP)	0.02 %	0.33 %
Core (loss) return on average assets (non-GAAP)	(0.02)%	0.32 %
Average equity	\$ 131,848	\$ 179,842
Return on average equity (GAAP)	0.13 %	1.56 %
Core (loss) return on average equity (non-GAAP)	(0.16)%	1.54 %

Total Credit Losses Coverage Ratio

Total Credit Losses Coverage Ratio represents the total of our allowance for credit losses and the fair value mark on acquired loans divided by total loans excluding the fair value mark on acquired loans. Management believes the total credit losses coverage ratio helps management and investors better understand the total coverage for credit losses on loans. 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 the total credit losses coverage ratio to allowance for credit losses to total loans, the most directly comparable GAAP financial measure, for the periods presented.

	As of June 30,	
	2024	2023
Calculation of the total credit losses coverage ratio:		
Allowance for credit losses	\$ 2,989	\$ 3,313
Purchase accounting fair value mark	2,171	2,488
Total credit losses coverage	<u>\$ 5,160</u>	<u>\$ 5,801</u>
Gross loans receivable	\$ 473,561	\$ 480,856
Gross loans receivable, excluding purchase accounting fair value mark	\$ 475,732	\$ 483,344
Allowance for credit losses to total loans (GAAP)	0.63%	0.69%
Total credit losses coverage to total loans (non-GAAP)	1.08%	1.20%

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is incorporated herein by reference to the section captioned “*Management’s Discussion and Analysis of Results of Operations and Financial Condition.*”

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is included herein beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure 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.

Evaluation of Internal Control Over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting. The internal control process has been designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

Management conducted an assessment of the effectiveness of the Company’s internal control over financial reporting as of June 30, 2024, utilizing the framework established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company’s internal control over financial reporting as of June 30, 2024 were effective.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, transactions and dispositions of assets; and provide reasonable assurances that: (1) transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States; (2) receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and (3) unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the Company’s financial statements are prevented or timely detected.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This Annual Report does not include an attestation report of the Company’s registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management’s report in this Annual Report.

Changes in Internal Control Over Financial Reporting

During the quarter or year ended June 30, 2024, 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.

ITEM 9B. OTHER INFORMATION

During the three months ended June 30, 2024, no director or officer of the Company adopted or terminated any "Rule 10b5-1 trading arrangement," or any "non-Rule 10b-5 trading arrangement," as such terms are defined in Item 408(a) of Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The Information required by this Item is incorporated herein by reference from the discussion responsive thereto under "Item 1: Business—Executive Officers" in this Annual Report on Form 10-K and under the headings "*Proposal 1—Election of Directors*," and "*Corporate Governance*" in our definitive proxy statement for our 2024 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission no later than 120 days after the close of the fiscal year covered by this Annual Report on Form 10-K (the "Proxy Statement").

Compliance with Section 16(a) of the Securities Exchange Act of 1934

For information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, the section captioned "*Section 16(a) Beneficial Ownership Reporting Compliance*" in the Proxy Statement.

Code of Ethics and Business Conduct

The Company has adopted a Code of Ethics and Business Conduct that is designed to ensure that the Company's directors and employees meet the highest standards of ethical conduct. The Code of Ethics and Business Conduct, which applies to all employees and directors, addresses conflicts of interest, the treatment of confidential information, general employee conduct and compliance with applicable laws, rules and regulations. In addition, the Code of Ethics and Business Conduct is designed to deter wrongdoing and promote honest and ethical conduct, the avoidance of conflicts of interest, full and accurate disclosure and compliance with all applicable laws, rules and regulations. A copy of the Code of Ethics and Business Conduct is available in the Corporate Governance portion of the Investor Relations section of our website (www.williamspenn.bank). Any future amendments to, or waivers from, a provision of the Code of Ethics and Business Conduct that applies to our directors or executive officers will be posted at this internet address.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference from the discussion responsive thereto under the headings "*Executive Compensation*" and "*Director Compensation*" in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership of Certain Beneficial Owners and Management

Information required by this item is incorporated herein by reference to the section captioned "*Stock Ownership*" in the Proxy Statement.

Changes in Control

Management of the Company knows of no arrangements, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the registrant.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by reference from the discussion responsive thereto under the heading “Policies and Procedures for Approval of Related Persons Transactions,” “Transactions with Related Persons” and “Corporate Governance” in the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference from the discussion responsive thereto under the heading “Proposal 2—Ratification of Appointment of Independent Registered Public Accounting Firm” in the Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (1) The financial statements required in response to this item are incorporated herein by reference from Item 8 of this Annual Report on Form 10-K.
- (2) All financial statement schedules are omitted because they are not required or applicable, or the required information is shown in the consolidated financial statements or the notes thereto.
- (3) Exhibits

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))
4.1	Specimen Stock Certificate of William Penn Bancorporation (Incorporated by reference to Exhibit 4.0 to William Penn Bancorporation’s Registration Statement on Form S-1 (Registration No. 333-249492))
4.2	Description of Securities Registered Pursuant to Section 12 of the Securities and Exchange Act of 1934
10.1	Amended and Restated Employment Agreement by and between William Penn Bancorporation, William Penn Bank and Kenneth J. Stephon* (Incorporated by reference to Exhibit 10.1 to William Penn Bancorporation’s Annual Report on Form 10-K for the Year Ended June 30, 2022 filed with the SEC on September 8, 2022 (File No. 001-40255))
10.2	Change in Control Agreement by and between William Penn Bancorporation, William Penn Bank and Jeannine Cimino* (Incorporated by reference to Exhibit 10.2 to William Penn Bancorporation’s Annual Report on Form 10-K for the Year Ended June 30, 2022 filed with the SEC on September 8, 2022 (File No. 001-40255))
10.3	Change in Control Agreement by and between William Penn Bancorporation, William Penn Bank and Amy Logan* (Incorporated by reference to Exhibit 10.3 to William Penn Bancorporation’s Annual Report on Form 10-K for the Year Ended June 30, 2022 filed with the SEC on September 8, 2022 (File No. 001-40255))
10.4	Change in Control Agreement by and between William Penn Bancorporation, William Penn Bank and Jonathan Logan* (Incorporated by reference to Exhibit 10.4 to William Penn Bancorporation’s Annual Report on Form 10-K for the Year Ended June 30, 2022 filed with the SEC on September 8, 2022 (File No. 001-40255))
10.5	Change in Control Agreement by and between William Penn Bancorporation, William Penn Bank and Alan Turner* (Incorporated by reference to Exhibit 10.5 to William Penn Bancorporation’s Annual Report on Form 10-K for the Year Ended June 30, 2022 filed with the SEC on September 8, 2022 (File No. 001-40255))
10.6	William Penn Bank Deferred Compensation Plan for Directors (Incorporated by reference to Exhibit 10.6 to William Penn Bancorporation’s Registration Statement on Form S-1 (Registration No. 333-249492)) *

- 10.7 William Penn Bank Directors Consultation and Retirement Plan (Incorporated by reference to Exhibit 10.7 to William Penn Bancorporation's Registration Statement on Form S-1 (Registration No. 333-249492)) *
- 10.8 William Penn Bancorporation 2022 Equity Incentive Plan (Incorporated by reference to Appendix A to William Penn Bancorporation's Definitive Proxy Materials on Schedule 14A filed with the SEC on March 25, 2022 (File No. 001-40255))
- 10.9 Agreement by and between William Penn, MHC, William Penn Bancorp, Inc., William Penn Bank, William Penn Bancorporation (formerly WPH Holding Company) and Tyndall Capital Partners LP and Jeffrey S. Halis (Incorporated by reference to Exhibit 10.8 to William Penn Bancorporation's Registration Statement on Form S-1 (Registration No. 333-249492))
- 21.0 List of Subsidiaries
- 23.1 Consent of S.R. Snodgrass, P.C.
- 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 Annual Report to Stockholders on Form 10-K for the year ended June 30, 2024, 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 Income, (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).

* Management contract or compensation plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of William Penn Bancorporation

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of William Penn Bancorporation and subsidiaries (the “Company”) as of June 30, 2024 and 2023; the related consolidated statements of income, comprehensive income (loss), changes in stockholders’ equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company changed its method of accounting for credit losses effective July 1, 2023, due to the adoption of Accounting Standards Codification (ASC) Topic 326, *Financial Instruments – Credit Losses*.

Basis for Opinion

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

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

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

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

A handwritten signature in black ink that reads 'S.R. Snodgrass, P.C.'.

Cranberry Township, Pennsylvania
September 5, 2024

WILLIAM PENN BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in thousands, except share and per share amounts)
As of June 30, 2024 and 2023

	June 30, 2024	June 30, 2023
ASSETS		
Cash and due from banks	\$ 6,539	\$ 7,652
Interest bearing deposits with other banks	12,070	11,561
Federal funds sold	1,589	1,580
Total cash and cash equivalents	20,198	20,793
Interest-bearing time deposits	100	600
Securities available for sale, at fair value	150,755	165,127
Securities held to maturity, net of allowance for credit losses of \$0 as of June 30, 2024 (fair value of \$76,827 and \$82,313, as of June 30, 2024 and 2023, respectively)	93,056	99,690
Equity securities	2,016	1,629
Loans receivable, net of allowance for credit losses of \$2,989 and \$3,313 as of June 30, 2024 and 2023, respectively	470,572	477,543
Premises and equipment, net	7,186	9,054
Regulatory stock, at cost	3,062	2,577
Deferred income taxes	9,586	9,485
Bank-owned life insurance	41,819	40,575
Goodwill	4,858	4,858
Intangible assets	356	519
Operating lease right-of-use assets	8,300	8,931
Accrued interest receivable and other assets	6,883	6,198
TOTAL ASSETS	\$ 818,747	\$ 847,579
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits	\$ 629,810	\$ 635,260
Advances from Federal Home Loan Bank	48,000	34,000
Advances from borrowers for taxes and insurance	2,891	3,227
Operating lease liabilities	8,553	9,107
Accrued interest payable and other liabilities	4,892	5,240
TOTAL LIABILITIES	694,146	686,834
Commitments and contingencies (note 14)	—	—
STOCKHOLDERS' EQUITY		
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; 9,343,900 shares issued and outstanding at June 30, 2024 and 12,452,921 shares issued and outstanding at June 30, 2023	93	125
Additional paid-in capital	97,723	134,387
Unearned common stock held by employee stock ownership plan	(8,789)	(9,194)
Retained earnings	57,587	58,805
Accumulated other comprehensive loss	(22,013)	(23,378)
TOTAL STOCKHOLDERS' EQUITY	124,601	160,745
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 818,747	\$ 847,579

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 Years Ended June 30, 2024 and 2023

	Year Ended June 30,	
	2024	2023
INTEREST INCOME		
Loans receivable, including fees	\$ 25,129	\$ 22,942
Securities	6,688	6,780
Other	708	664
Total interest income	32,525	30,386
INTEREST EXPENSE		
Deposits	12,472	5,456
Borrowings	2,932	1,859
Total interest expense	15,404	7,315
Net interest income	17,121	23,071
Recovery for credit losses	(606)	—
NET INTEREST INCOME AFTER RECOVERY FOR CREDIT LOSSES	17,727	23,071
OTHER INCOME		
Service fees	883	843
Net loss on sale of other real estate owned	(4)	—
Net gain on sale of securities	102	—
Earnings on bank-owned life insurance	1,244	1,106
Net gain on disposition of premises and equipment	—	398
Unrealized gain (loss) on equity securities	387	(629)
Other	224	232
Total other income	2,836	1,950
OTHER EXPENSES		
Salaries and employee benefits	11,778	12,785
Occupancy and equipment	2,980	3,258
Data processing	2,032	1,836
Professional fees	841	906
Amortization of intangible assets	163	193
Other	3,059	3,041
Total other expense	20,853	22,019
(Loss) income before income taxes	(290)	3,002
Income tax (benefit) expense	(458)	200
NET INCOME	\$ 168	\$ 2,802
Basic earnings per share	\$ 0.02	\$ 0.22
Diluted earnings per share	\$ 0.02	\$ 0.22

See accompanying notes to consolidated financial statements

WILLIAM PENN BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in thousands)
For the Years Ended June 30, 2024 and 2023

	Year Ended June 30,	
	2024	2023
Net income	\$ 168	\$ 2,802
Other comprehensive income (loss):		
Changes in net unrealized gain (loss) on securities available for sale	1,875	(10,417)
Tax effect	(431)	2,396
Reclassification adjustment for gain recognized in net income	(102)	—
Tax effect	23	—
Other comprehensive income (loss), net of tax	1,365	(8,021)
Comprehensive income (loss)	\$ 1,533	\$ (5,219)

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 Years Ended June 30, 2024 and 2023

	Number of Shares	Common Stock	Additional Paid-in Capital	Unearned Common Stock held by ESOP	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance, June 30, 2022	14,896,590	\$ 149	\$ 159,546	\$ (9,599)	\$ 57,587	\$ (15,357)	\$ 192,326
Net income	—	—	—	—	2,802	—	2,802
Other comprehensive loss	—	—	—	—	—	(8,021)	(8,021)
Regular cash dividends paid (\$0.12 per share)	—	—	—	—	(1,584)	—	(1,584)
Shares forfeited under the William Penn Bancorporation 2022 Equity Incentive Plan	(13,904)	—	—	—	—	—	—
Restricted stock expense	—	—	1,112	—	—	—	1,112
Stock option expense	—	—	771	—	—	—	771
Stock purchased and retired, including shares withheld to cover tax liabilities	(2,429,765)	(24)	(27,032)	—	—	—	(27,056)
ESOP shares committed to be released	—	—	(10)	405	—	—	395
Balance, June 30, 2023	12,452,921	\$ 125	\$ 134,387	\$ (9,194)	\$ 58,805	\$ (23,378)	\$ 160,745
Net income	—	—	—	—	168	—	168
Other comprehensive income	—	—	—	—	—	1,365	1,365
Regular cash dividends paid (\$0.12 per share)	—	—	—	—	(1,160)	—	(1,160)
Cumulative effect of adoption of ASU 2016-13	—	—	—	—	(226)	—	(226)
Shares granted under the William Penn Bancorporation 2022 Equity Incentive Plan	26,544	1	(1)	—	—	—	—
Restricted stock expense	—	—	1,148	—	—	—	1,148
Stock option expense	—	—	796	—	—	—	796
Stock purchased and retired, including shares withheld to cover tax liabilities	(3,135,565)	(33)	(38,626)	—	—	—	(38,659)
ESOP shares committed to be released	—	—	19	405	—	—	424
Balance, June 30, 2024	9,343,900	\$ 93	\$ 97,723	\$ (8,789)	\$ 57,587	\$ (22,013)	\$ 124,601

See accompanying notes to consolidated financial statements

WILLIAM PENN BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

For the Years Ended June 30, 2024 and 2023

	Year Ended June 30,	
	2024	2023
Cash flows from operating activities		
Net income	\$ 168	\$ 2,802
Adjustments to reconcile net income to net cash provided by operating activities:		
Recovery for credit losses	(606)	—
Depreciation expense	772	1,027
Other accretion, net	(475)	(362)
Deferred income taxes	(399)	570
Net gain on disposition of premises and equipment	—	(398)
Net loss on sale of other real estate owned	4	—
Amortization of core deposit intangibles	163	193
Amortization of ESOP	424	395
Net gain on sale of securities	(102)	—
Unrealized (gain) loss on equity securities	(387)	629
Earnings on bank-owned life insurance	(1,244)	(1,106)
Stock based compensation expense	1,944	1,883
Other, net	58	(575)
Net cash provided by operating activities	<u>320</u>	<u>5,058</u>
Cash flows from investing activities		
Securities available for sale:		
Purchases	(1,152)	(4,778)
Maturities, calls and principal paydowns	11,586	11,534
Proceeds from sale of securities	5,578	—
Securities held to maturity:		
Purchases	(998)	(5,023)
Maturities, calls and principal paydowns	7,676	7,482
Net decrease (increase) in loans receivable	7,573	(1,602)
Interest bearing time deposits:		
Maturities and principal paydowns	500	—
Purchase of bank-owned life insurance	—	(300)
Regulatory stock purchases	(6,805)	(4,023)
Regulatory stock redemptions	6,320	5,253
Proceeds from sale of other real estate owned	450	—
Purchases of premises and equipment, net	(141)	(344)
Proceeds from the sale of premises and equipment held for sale	—	2,270
Net cash provided by investing activities	<u>30,587</u>	<u>10,469</u>
Cash flows from financing activities		
Net (decrease) increase in deposits	(5,347)	28,865
Net increase (repayment) of short-term borrowed funds	14,000	(31,000)
Repurchase of common stock	(38,659)	(27,056)
Decrease in advances from borrowers for taxes and insurance	(336)	(129)
Cash dividends	(1,160)	(1,584)
Net cash used in financing activities	<u>(31,502)</u>	<u>(30,904)</u>
Net decrease in cash and cash equivalents	<u>(595)</u>	<u>(15,377)</u>
Cash and cash equivalents - beginning	<u>20,793</u>	<u>36,170</u>
Cash and cash equivalents - ending	<u>\$ 20,198</u>	<u>\$ 20,793</u>
Supplementary cash flows information		
Interest paid	\$ 15,499	\$ 7,535
Income tax (refunds) payments	(187)	258
Transfers from loans to other real estate owned	300	141
Operating lease right-of-use asset recorded	—	2,701
Operating lease liabilities recorded	—	2,701
Premises transferred to held for sale	1,237	1,959

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, and as previously disclosed, 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 previously disclosed, 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. 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 and Philadelphia Counties in Pennsylvania, and Burlington, Camden, and Mercer Counties in New Jersey. William Penn Bancorporation is subject to regulation and supervision by the Board of Governors of the Federal Reserve System. The Bank is supervised and regulated by the 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. WPSLA is a Delaware corporation organized in April 2000 to hold certain investment securities for the Bank. At June 30, 2024, WPSLA held \$235.4 million of the Company’s \$243.8 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. Accordingly, the various financial services and products offered are aggregated into one reportable operating segment: community banking as under guidance in the Financial Accounting Standards Board (the “FASB”) ASC Topic 280 for Segment Reporting.

Use of Estimates in the Preparation of Financial Statements

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

Presentation of Cash Flows

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

Revenue Recognition

Management determined that the primary sources of revenue emanating from interest and dividend income on loans and investments along with noninterest revenue resulting from investment security and loan gains (losses), and earnings on bank owned life insurances are not within the scope of ASC 606. The main types of noninterest income within the scope of the standard include service charges on deposit accounts and the gain on the sale of properties classified as other real estate owned. 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.

Investment Securities

The Company classifies and accounts for investment securities as follows:

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

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

Equity Investments — The Company has an equity investment accounted for in accordance with both *ASC 321-10, Investments - Equity Securities* and *ASC 323-10, Investments - Equity Method and Joint Ventures*. The equity investment has a readily determinable fair value and is reported at fair value, with unrealized gains and losses included in earnings. Any dividends received are recorded in interest income. The fair value of equity investments with readily determinable fair values is primarily obtained from third-party pricing services. For additional detail regarding equity securities, see note 5 to these consolidated financial statements.

Regulatory Stock, at Cost

Common stock of the FHLB represents ownership in an institution which is wholly owned by other financial institutions. This restricted equity security is accounted for at cost. The Company invests in FHLB stock as required to support borrowing activities, as detailed in note 10 to these consolidated financial statements. Although FHLB stock is an equity interest in a FHLB, it does not have a readily determinable fair value because its ownership is restricted and it lacks a market. FHLB stock can be sold back only at its par value of \$100 per share and only to the FHLBs or to another member institution. The Company evaluates this investment for impairment on the ultimate recoverability of the par value rather than by recognizing temporary declines in value. The Company reviews this stock for impairment based on guidance from *FASB ASC Topic 320 for Investments — Debt Securities* and *FASB ASC Topic 942 for Financial Services — Depository and Lending* and has concluded that its investment is not impaired.

Loans

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

The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for credit losses. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management’s judgment as to the collectability of principal. Generally, loans are restored to accrual status

when the obligation is brought current, has performed in accordance with the contractual terms for at least six months and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

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 Statements of Financial Condition. The Company established its allowance in accordance with the guidance included in 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 lifetime credit losses, that considers our historical loss experience, the historical loss experience of a peer group of banks identified by management, current conditions and the forecast 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 \$2.0 million of accrued interest receivable as of June 30, 2024 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 Statements 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 \$170 thousand as of June 30, 2024 and is included within accrued interest receivable and other assets on the Company's Consolidated Statements 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 \$662 thousand as of June 30, 2024 and is included within accrued interest receivable and other assets on the Company's Consolidated Statements 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.

Loan Charge-off Policies

Generally, loans are charged down to the net realizable value when the loan is 90 days past due. However, student loans that are included in consumer loans are fully charged down when the loan is 180 days past due.

Transfers of Financial Assets

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

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

Premises and Equipment

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

	<u>Years</u>
Office buildings and improvements	2 – 33
Furniture, fixtures, and equipment	1 – 10
Automobiles	4

Other Real Estate Owned

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

Income Taxes

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

Goodwill and Intangible Assets

Goodwill results from business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. In certain circumstances, the Company will record a gain on bargain purchase when the fair value of the net assets of the acquired company exceeds the fair value of the equity of the acquired company. When calculating goodwill or a gain on bargain purchase in accordance with FASB ASC 805-30-55-3, the Company evaluates whether the fair value of equity of the acquired company is a more reliable measure than the fair value of the equity interests transferred. The Company considers the assumptions required to calculate the fair value of equity of an acquired company using discounted cash flow models (income approach) and/or change of control premium models (market approach) which are generally based on a higher level of market participant inputs and therefore a lower level of subjectivity when compared to the assumptions required to calculate the fair value of equity interests transferred under a fair value pricing model. As a result, the Company considers the calculation of the fair value of the equity of an acquired company to be more reliable than the calculation of the fair value of the equity interests transferred. Goodwill is assessed at least annually for impairment and any such impairment will be recognized in the period identified. Intangible assets consist of core deposit intangibles arising from whole bank acquisitions. These intangible assets are measured at fair value and then amortized on an accelerated method over their estimated useful lives of ten years.

Leases

The Company accounts for its leases in accordance with FASB *ASC Topic 842 – Leases*. Most leases are recognized on the statement of financial condition by recording a right-of-use asset and lease liability for each lease. The right-of-use asset represents the right to use the asset under lease for the lease term, and the lease liability represents the contractual obligation to make lease payments. The right-of-use asset is tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

As a lessee, the Company enters into operating leases for certain bank branches, office space, and office equipment. The right-of-use assets and lease liabilities are initially recognized based on the net present value of the remaining lease payments which include renewal options where the Company is reasonably certain they will be exercised. The net present value is determined using the incremental collateralized borrowing rate at commencement date. The right-of-use asset is measured at the amount of the lease liability adjusted for

any prepaid rent, lease incentives and initial direct costs incurred. The right-of-use asset and lease liability is amortized over the individual lease terms. Lease expense for lease payments is recognized on a straight-line basis over the lease term. For additional information regarding leases, see note 17 to these consolidated financial statements.

Stock Based Compensation

The Company accounts for stock awards and stock options granted to employees and directors based on guidance set forth in FASB *ASC Topic 718 for Compensation — Stock Compensation*. Compensation cost is recognized for stock options and restricted stock awards issued to employees and directors, based on the fair value of these awards at the grant date. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company's common shares at the date of the grant is used for restricted shares. Compensation cost is recognized over the required service period using the straight-line method.

Off-Balance Sheet Financial Instruments

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

Bank-owned Life Insurance

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

Comprehensive Income (Loss)

The Company presents a separate financial statement of comprehensive income (loss) that includes net unrealized holding gains and losses on securities available for sale excluded from the Company's Consolidated Statements of Income and recorded directly to stockholders' equity.

Segment Reporting

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

Reclassifications

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

Recent Accounting Pronouncements 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, 2023, 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
Assets			
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
Liabilities			
ACL on unfunded commitments	101	50	151
	<u>\$ 3,414</u>	<u>\$ 293</u>	<u>\$ 3,707</u>

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which eliminates the accounting guidance for troubled debt restructurings by creditors that have adopted CECL and enhances the disclosure requirements for modifications of receivables made with borrowers experiencing financial difficulty. In addition, the amendments in this ASU require disclosure of current period gross write-offs by year of origination for financing receivables in the existing vintage disclosures. This ASU became effective on July 1, 2023 for the Company. The adoption of this ASU resulted in updated disclosures within our financial statements but otherwise did not have a material impact on the Company's consolidated financial statements.

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 2023, the FASB issued ASU 2023-06, *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 2023-06 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.

Note 3 - Earnings Per Share

The following table presents a calculation of basic and diluted earnings per share for the years ended June 30, 2024 and 2023. Earnings per share is computed by dividing net income available to common shareholders 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 \$168 thousand and \$2.8 million for the years ended June 30, 2024 and 2023, respectively, was used as the numerator. See Note 12 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)	Year Ended June 30,	
	2024	2023
Basic and diluted earnings per share:		
Net income	\$ 168	\$ 2,802
Basic average common shares outstanding	9,017,723	12,661,882
Effect of dilutive securities	57,187	30,732
Dilutive average shares outstanding	9,074,910	12,692,614
Earnings per share:		
Basic	\$ 0.02	\$ 0.22
Diluted	\$ 0.02	\$ 0.22

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 1,264,000 and 1,197,640 stock options that were anti-dilutive for the years ended June 30, 2024 and 2023, respectively, and were not included in the table above.

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 years ended June 30, 2024 and 2023. All amounts are presented net of tax.

(Dollars in thousands)

Accumulated Other Comprehensive Loss⁽¹⁾	Unrealized Losses on Securities Available for Sale
Balance at June 30, 2022	\$ (15,357)
Other comprehensive loss before reclassifications	(8,021)
Amounts reclassified from accumulated other comprehensive loss	—
Period change	(8,021)
Balance at June 30, 2023	\$ (23,378)
Other comprehensive income before reclassifications	1,444
Amounts reclassified from accumulated other comprehensive income	(79)
Period change	1,365
Balance at June 30, 2024	\$ (22,013)

(1) All amounts are net of tax. Related income tax expense is calculated using an income tax rate of approximately 23% for both 2024 and 2023.

The following table presents reclassifications out of AOCL by component for the years ended June 30, 2024 and 2023:

(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
	Year Ended June 30, 2024	2023	
Securities available for sale:			
Net securities gains reclassified into net income	\$ 102	\$ —	Net gain on sale of securities
Related income tax expense	(23)	—	Income tax (benefit) expense
	<u>\$ 79</u>	<u>\$ —</u>	

(1) Amounts in parenthesis indicate debits.

Note 5 – Investment Securities

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

(Dollars in thousands)	June 30, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available For Sale:					
Mortgage-backed securities	\$ 112,439	\$ 20	\$ (17,334)	\$ —	\$ 95,125
U.S. agency collateralized mortgage obligations	8,937	—	(1,737)	—	7,200
U.S. government agency securities	769	1	(77)	—	693
Municipal bonds	19,999	—	(5,030)	—	14,969
Corporate bonds	37,200	—	(4,432)	—	32,768
Total Available For Sale	\$ 179,344	\$ 21	\$ (28,610)	\$ —	\$ 150,755

(Dollars in thousands)	June 30, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
Held To Maturity:					
Mortgage-backed securities	\$ 87,526	\$ —	\$ (16,216)	\$ 71,310	\$ —
U.S. government agency securities	5,482	—	(13)	5,469	—
Municipal bonds	48	—	—	48	—
Total Held To Maturity	\$ 93,056	\$ —	\$ (16,229)	\$ 76,827	\$ —

(Dollars in thousands)	June 30, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available For Sale:				
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
Total Available For Sale	\$ 195,488	\$ 161	\$ (30,522)	\$ 165,127
Held To Maturity:				
Mortgage-backed securities	\$ 94,648	\$ —	\$ (17,275)	\$ 77,373
U.S. government agency securities	4,982	—	(102)	4,880
Municipal bonds	60	—	—	60
Total Held To Maturity	\$ 99,690	\$ —	\$ (17,377)	\$ 82,313

The Company recognized \$102 thousand of gross gains on the sale of \$5.6 million of investment securities during the year ended June 30, 2024. The Company did not sell any investment securities during the year ended June 30, 2023.

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)	June 30, 2024			
	Available For Sale		Held To Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 2	\$ 2	\$ 5,530	\$ 5,517
Due after one year through five years	—	—	—	—
Due after five years through ten years	42,370	36,937	—	—
Due after ten years	136,972	113,816	87,526	71,310
	<u>\$ 179,344</u>	<u>\$ 150,755</u>	<u>\$ 93,056</u>	<u>\$ 76,827</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 June 30, 2024 and 2023:

(Dollars in thousands)	June 30, 2024					
	Less than 12 Months		12 Months or More		Total	Total
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available For Sale:						
Mortgage-backed securities	\$ —	\$ —	\$ 94,110	\$ (17,334)	\$ 94,110	\$ (17,334)
U.S. agency collateralized mortgage obligations	—	—	7,200	(1,737)	7,200	(1,737)
U.S. government agency securities	—	—	556	(77)	556	(77)
Municipal bonds	—	—	14,969	(5,030)	14,969	(5,030)
Corporate bonds	—	—	32,768	(4,432)	32,768	(4,432)
	—	—	149,603	(28,610)	149,603	(28,610)
Held To Maturity:						
Mortgage-backed securities	—	—	71,310	(16,216)	71,310	(16,216)
U.S. government agency securities	982	(1)	4,487	(12)	5,469	(13)
	<u>982</u>	<u>(1)</u>	<u>75,797</u>	<u>(16,228)</u>	<u>76,779</u>	<u>(16,229)</u>
	<u>\$ 982</u>	<u>\$ (1)</u>	<u>\$ 225,400</u>	<u>\$ (44,838)</u>	<u>\$ 226,382</u>	<u>\$ (44,839)</u>

(Dollars in thousands)	June 30, 2023					
	Less than 12 Months		12 Months or More		Total	Total
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available For Sale:						
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>
Held To Maturity:						
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>
	<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 June 30, 2024, the Company had one security in the less than 12 months loss position and 124 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 and no allowance for credit losses is required at June 30, 2024, 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 year ended June 30, 2024, or other-than temporary impairment charges for the year ended June 30, 2023.

At June 30, 2024 and 2023, \$2.6 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 \$2.0 million and \$1.6 million as of June 30, 2024 and 2023, respectively. During the years ended June 30, 2024 and 2023, the Company recorded \$387 thousand of unrealized gains and \$629 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 \$545 thousand and \$653 thousand at June 30, 2024 and 2023, respectively, are summarized as follows:

(Dollars in thousands)	June 30, 2024		June 30, 2023	
	Amount	Percent	Amount	Percent
Residential real estate:				
1 - 4 family	\$ 127,911	27.00 %	\$ 135,046	28.08 %
Home equity and HELOCs	30,767	6.50	32,684	6.79
Construction -residential	8,802	1.86	9,113	1.90
Commercial real estate:				
1 - 4 family investor	92,284	19.49	98,160	20.41
Multi-family (five or more)	15,619	3.30	15,281	3.18
Commercial non-residential	158,481	33.46	157,555	32.77
Construction and land	22,687	4.79	15,584	3.24
Commercial	15,090	3.19	15,433	3.21
Consumer loans	1,920	0.41	2,000	0.42
Total Loans	473,561	100.00 %	480,856	100.00 %
Allowance for credit losses	(2,989)		(3,313)	
Net Loans	\$ 470,572		\$ 477,543	

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 \$11.2 million and \$12.5 million at, June 30, 2024 and 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 and that is a purchased participation classified as pass rated and all payments are current and the loan is 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 Company and are subject to annual reviews where the risk rating of the loan is evaluated. Additionally, the Company 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 credit 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 and ASU 2022-02 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 portfolio segment, the changes in the allowance for credit losses and the recorded investment in loans for the years ended June 30, 2024 and 2023, respectively:

June 30, 2024	Residential real estate:			Commercial real estate:				Commercial	Consumer	Total
	Home Equity	Construction-		1 - 4 family	Multi-family	Commercial	Construction			
(Dollar amounts in thousands)	1 - 4 family	and HELOCs	residential	investor	(five or more)	non-residential	and land			
Allowance for credit losses:										
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	—	—	—	—	—	—	—	—	29	29
Provision	(94)	(32)	(9)	(60)	(27)	(266)	(41)	(32)	(22)	(583)
Ending Balance	\$ 325	\$ 100	\$ 31	\$ 268	\$ 32	\$ 1,533	\$ 147	\$ 304	\$ 249	\$ 2,989
Allowance ending balance:										
Individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Collectively evaluated for impairment	325	100	31	268	32	1,533	147	304	249	2,989
Total allowance	\$ 325	\$ 100	\$ 31	\$ 268	\$ 32	\$ 1,533	\$ 147	\$ 304	\$ 249	\$ 2,989
Loans receivable ending balance:										
Individually evaluated for impairment	\$ 1,221	\$ 426	\$ —	\$ 1,007	\$ 194	\$ 337	\$ —	\$ —	\$ 126	\$ 3,311
Collectively evaluated for impairment	126,690	30,341	8,802	91,277	15,425	158,144	22,687	15,090	1,794	470,250
Total portfolio	\$ 127,911	\$ 30,767	\$ 8,802	\$ 92,284	\$ 15,619	\$ 158,481	\$ 22,687	\$ 15,090	\$ 1,920	\$ 473,561

June 30, 2023	Residential real estate:			Commercial real estate:						
	Home Equity		Construction- residential	1 - 4 family investor	Multi-family (five or more)	Commercial non-residential	Construction and land	Commercial	Consumer	Total
	1 - 4 family	and HELOCs								
(Dollar amounts in thousands)										
Allowance for credit losses:										
Beginning balance	\$ 506	\$ 113	\$ 386	\$ 527	\$ 110	\$ 1,451	\$ 166	\$ 100	\$ 50	\$ 3,409
Charge-offs	(79)	—	—	—	—	—	—	—	(32)	(111)
Recoveries	—	—	—	—	—	—	—	—	15	15
Provision	59	—	(172)	42	(21)	(31)	115	(18)	26	—
Ending Balance	\$ 486	\$ 113	\$ 214	\$ 569	\$ 89	\$ 1,420	\$ 281	\$ 82	\$ 59	\$ 3,313
Allowance ending balance:										
Individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Collectively evaluated for impairment	486	113	214	569	89	1,420	281	82	59	3,313
Total allowance	<u>\$ 486</u>	<u>\$ 113</u>	<u>\$ 214</u>	<u>\$ 569</u>	<u>\$ 89</u>	<u>\$ 1,420</u>	<u>\$ 281</u>	<u>\$ 82</u>	<u>\$ 59</u>	<u>\$ 3,313</u>
Loans receivable ending balance:										
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 ⁽¹⁾	55,528	12,813	—	12,437	249	14,679	—	457	1,357	97,520
Acquired credit impaired loans ⁽²⁾	72	—	—	—	—	—	—	—	—	72
Total portfolio	<u>\$ 135,046</u>	<u>\$ 32,684</u>	<u>\$ 9,113</u>	<u>\$ 98,160</u>	<u>\$ 15,281</u>	<u>\$ 157,555</u>	<u>\$ 15,584</u>	<u>\$ 15,433</u>	<u>\$ 2,000</u>	<u>\$ 480,856</u>

- (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.

During the year ended June 30, 2024, 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. The overall decrease in the allowance during the year ended June 30, 2024 can be primarily attributed to consistently low levels of net charge-offs, strong asset quality metrics and continued conservative lending practices.

During the year ended June 30, 2023, 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. Specifically, we experienced significant growth in our commercial construction and land loan portfolio during the year ended June 30, 2023 and a corresponding increase in the provision for credit losses for this portfolio. The overall decrease in the allowance during the year ended June 30, 2023 can primarily be attributed to improved credit quality metrics, including continued low levels of net charge-offs and a decrease in non-performing assets.

Under the provisions of ASU 2016-13, loans 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.

Credit Quality Information

The following tables represent credit exposures by internally assigned grades for the years ended June 30, 2024 and 2023, respectively, 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 June 30, 2024 and 2023:

	June 30, 2024						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			
1 - 4 family investor									
Pass	\$ 3,852	\$ 10,948	\$ 6,228	\$ 17,462	\$ 11,855	\$ 36,635	\$ 2,702	\$ 706	\$ 90,388
Special Mention	—	—	—	—	—	889	—	—	889
Substandard	—	—	930	—	—	77	—	—	1,007
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total 1 - 4 family investor	\$ 3,852	\$ 10,948	\$ 7,158	\$ 17,462	\$ 11,855	\$ 37,601	\$ 2,702	\$ 706	\$ 92,284
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Multi-family (five or more)									
Pass	\$ 331	\$ 1,307	\$ 1,310	\$ 4,072	\$ 5,508	\$ 2,897	\$ —	\$ —	\$ 15,425
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	194	—	—	194
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total Multi-family	\$ 331	\$ 1,307	\$ 1,310	\$ 4,072	\$ 5,508	\$ 3,091	\$ —	\$ —	\$ 15,619
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial non-residential									
Pass	\$ 11,970	\$ 20,964	\$ 59,973	\$ 30,013	\$ 15,668	\$ 19,465	\$ —	\$ 91	\$ 158,144
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	319	—	18	—	—	337
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total Commercial non-residential	\$ 11,970	\$ 20,964	\$ 59,973	\$ 30,332	\$ 15,668	\$ 19,483	\$ —	\$ 91	\$ 158,481
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Construction and land									
Pass	\$ 4,341	\$ 5,797	\$ 10,501	\$ —	\$ —	\$ 2,048	\$ —	\$ —	\$ 22,687
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total Construction and land	\$ 4,341	\$ 5,797	\$ 10,501	\$ —	\$ —	\$ 2,048	\$ —	\$ —	\$ 22,687
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial									
Pass	\$ 593	\$ 6,914	\$ 7,367	\$ —	\$ 14	\$ 202	\$ —	\$ —	\$ 15,090
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total Commercial	\$ 593	\$ 6,914	\$ 7,367	\$ —	\$ 14	\$ 202	\$ —	\$ —	\$ 15,090
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			Construction		
	investor	Multi-family	Non-residential	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 June 30, 2024 and 2023:

	June 30, 2024						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			
1 - 4 family residential									
Performing	\$ 11,987	\$ 7,765	\$ 13,307	\$ 15,162	\$ 8,412	\$ 70,057	\$ —	\$ —	\$ 126,690
Non-performing	—	—	—	—	—	1,221	—	—	1,221
Total 1 - 4 family residential	<u>\$ 11,987</u>	<u>\$ 7,765</u>	<u>\$ 13,307</u>	<u>\$ 15,162</u>	<u>\$ 8,412</u>	<u>\$ 71,278</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 127,911</u>
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Home equity & HELOCs									
Performing	\$ 1,685	\$ 2,164	\$ 474	\$ 859	\$ 576	\$ 4,595	\$ 18,333	\$ 1,655	\$ 30,341
Non-performing	—	—	—	—	—	—	381	45	426
Total Home equity & HELOCs	<u>\$ 1,685</u>	<u>\$ 2,164</u>	<u>\$ 474</u>	<u>\$ 859</u>	<u>\$ 576</u>	<u>\$ 4,595</u>	<u>\$ 18,714</u>	<u>\$ 1,700</u>	<u>\$ 30,767</u>
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Construction residential									
Performing	\$ 5,180	\$ 2,510	\$ 105	\$ 1,007	\$ —	\$ —	\$ —	\$ —	\$ 8,802
Non-performing	—	—	—	—	—	—	—	—	—
Total construction residential	<u>\$ 5,180</u>	<u>\$ 2,510</u>	<u>\$ 105</u>	<u>\$ 1,007</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,802</u>
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Consumer									
Performing	\$ 123	\$ 116	\$ 45	\$ —	\$ 3	\$ 1,507	\$ —	\$ —	\$ 1,794
Non-performing	—	—	—	—	—	126	—	—	126
Total Consumer	<u>\$ 123</u>	<u>\$ 116</u>	<u>\$ 45</u>	<u>\$ —</u>	<u>\$ 3</u>	<u>\$ 1,633</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,920</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 June 30, 2024 and 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 June 30, 2024, \$3.2 million of the non-accrual loans included in the table below are secured by real estate and \$126 thousand are unsecured.

Aged Analysis of Past Due and Non-accrual Loans As of June 30, 2024									
(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	\$ 153	\$ 539	\$ 162	\$ 854	\$ 127,057	\$ 127,911	\$ —	\$ 1,221	
Home equity and HELOCs	49	—	—	49	30,718	30,767	—	426	
Construction - residential	—	—	—	—	8,802	8,802	—	—	
Commercial real estate:									
1 - 4 family investor	85	930	—	1,015	91,269	92,284	—	1,007	
Multi-family	—	—	—	—	15,619	15,619	—	194	
Commercial non-residential	60	—	337	397	158,084	158,481	—	337	
Construction and land	—	—	—	—	22,687	22,687	—	—	
Commercial	—	—	—	—	15,090	15,090	—	—	
Consumer	—	—	18	18	1,902	1,920	—	126	
Total	<u>\$ 347</u>	<u>\$ 1,469</u>	<u>\$ 517</u>	<u>\$ 2,333</u>	<u>\$ 471,228</u>	<u>\$ 473,561</u>	<u>\$ —</u>	<u>\$ 3,311</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 would have increased by approximately \$167 thousand and \$192 thousand during the years ended June 30, 2024 and 2023, respectively, if these loans had performed in accordance with their terms.

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	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
1-4 family residential real estate	\$ 1,209	\$ 1,302	\$ —	\$ 1,780	\$ —
Home equity and HELOCs	182	182	—	325	20
Construction residential	—	—	—	—	—
1 - 4 family investor commercial real estate	832	850	—	179	1
Multi-family	251	283	—	277	—
Commercial non-residential	778	783	—	1,042	19
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	\$ 1,209	\$ 1,302	\$ —	\$ 1,780	\$ —
Home equity and HELOCs	182	182	—	325	20
Construction residential	—	—	—	—	—
1 - 4 family investor commercial real estate	832	850	—	179	1
Multi-family	251	283	—	277	—
Commercial non-residential	778	783	—	1,042	19
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 \$38 thousand of interest income on accruing loans with terms that have been modified to borrowers experiencing financial difficulty during the year ended June 30, 2023. 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.

Generally, the Bank will charge-off the collateral or discounted cash flow deficiency on all impaired loans. Interest income that would have been recorded for the year ended June 30, 2023, had impaired loans been current according to their original terms, amounted to \$104 thousand.

Concentration of Credit Risk

The Company's primary business activity as of June 30, 2024 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 June 30, 2024, the Company considered its concentration of credit risk to be acceptable. As of June 30, 2024, commercial real estate loans secured by retail space totaled approximately \$61.9 million, or 13.1% of total loans, and were comprised of \$50.9 million of non-owner-occupied properties and \$11.0 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 year ended June 30, 2024, there were no loans modified to borrowers experiencing financial difficulty. During the year ended June 30, 2023, 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 June 30, 2024 and 2023:

<u>(Dollars in thousands)</u>	<u>June 30,</u> <u>2024</u>	<u>June 30,</u> <u>2023</u>
Land	\$ 1,441	\$ 1,778
Office buildings and improvements	7,921	9,080
Furniture, fixtures and equipment	2,293	2,273
Automobiles	58	58
	<u>11,713</u>	<u>13,189</u>
Accumulated depreciation	<u>(4,527)</u>	<u>(4,135)</u>
	<u>\$ 7,186</u>	<u>\$ 9,054</u>

Depreciation expense amounted to \$772 thousand and \$1.0 million for the years ended June 30, 2024 and 2023, respectively. During the year ended June 30, 2024, the Company transferred one property with a total carrying value of \$1.3 million to the held for sale classification reported in the accrued interest receivable and other assets line on the consolidated statements of financial condition. 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 acquisition of Audubon. The Company also recorded core deposit intangibles totaling \$65 thousand and \$197 thousand in connection with the acquisitions of Fidelity and Washington, respectively. As of June 30, 2024 and 2023, the other intangibles consisted of \$356 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, 2024, the Company 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 exists during the year ended June 30, 2024.

Goodwill and other intangibles at June 30, 2024 and 2023, are summarized as follows:

(Dollars in thousands)	Goodwill	Core Deposit Intangibles
Balance, July 1, 2022	\$ 4,858	\$ 712
Adjustments:		
Additions	—	—
Amortization	—	(193)
Balance, June 30, 2023	\$ 4,858	\$ 519
Adjustments:		
Additions	—	—
Amortization	—	(163)
Balance, June 30, 2024	<u>\$ 4,858</u>	<u>\$ 356</u>

The following tables summarize amortizing intangible assets at June 30, 2024 and 2023:

(Dollars in thousands)	June 30, 2024		
	Gross	Accumulated Amortization	Net
Core deposit intangibles	\$ 1,694	\$ (1,338)	\$ 356

(Dollars in thousands)	June 30, 2023		
	Gross	Accumulated Amortization	Net
Core deposit intangibles	\$ 1,694	\$ (1,175)	\$ 519

Aggregate amortization expense was \$163 thousand and \$193 thousand for the years ended June 30, 2024 and 2023, respectively. Amortization expense for the next five years and thereafter is expected to be as follows:

(Dollars in thousands)	Expense
For the year ended June 30,	
2025	\$ 132
2026	101
2027	70
2028	40
2029	9
2030 and thereafter	4
	<u>\$ 356</u>

Note 9 – Deposits

Deposits and their respective weighted-average interest rates consist of the following major classifications as of June 30, 2024 and 2023:

(Dollars in thousands)	June 30, 2024		June 30, 2023	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Non-interest bearing checking	\$ 64,627	— %	\$ 60,872	— %
Interest bearing checking	132,927	1.27	116,700	0.91
Money market accounts	176,422	3.13	208,020	2.77
Savings and club accounts	82,173	0.05	90,291	0.05
Certificates of deposit	173,661	3.56	159,377	2.30
	<u>\$ 629,810</u>	2.13 %	<u>\$ 635,260</u>	1.66 %

Time deposit accounts outstanding as of June 30, 2024 mature as follows:

(In thousands)	June 30, 2024	
Twelve months ending:		
2025	\$	154,301
2026		7,766
2027		5,044
2028		3,711
2029		2,408
Thereafter		431
	\$	<u>173,661</u>

The aggregate amount of certificates of deposit accounts in denominations of \$250 thousand or more totaled \$29.3 million and \$17.8 million at June 30, 2024 and 2023, respectively.

Note 10 – Borrowings

The Bank is a member of the FHLB system, which consists of 11 regional Federal Home Loan Banks. The FHLB provides a central credit facility primarily for member institutions. The Bank has a maximum borrowing capacity with the FHLB of Pittsburgh of approximately \$287.3 million at June 30, 2024. Advances from the FHLB of Pittsburgh consisted of \$48.0 million and \$34.0 million of fixed rate short-term borrowings at June 30, 2024 and 2023, respectively. FHLB advances are secured by qualifying assets of the Bank, which include Federal Home Loan Bank stock and loans. The Bank had \$415.9 million and \$427.2 million of loans pledged as collateral as of June 30, 2024 and 2023, respectively. The Bank, as a member of the FHLB of Pittsburgh, is required to acquire and hold shares of capital stock in that FHLB. The Bank was in compliance with the requirements for the FHLB of Pittsburgh with an investment of \$2.8 million and \$2.3 million at June 30, 2024 and 2023, respectively.

Contractual maturities and the associated weighted average interest rate of FHLB advances at June 30, 2024 are presented in the table below. As of June 30, 2024, the interest rates on the \$48.0 million of FHLB advances ranged from 5.64% to 5.67%.

(Dollars in thousands)	June 30, 2024	
	Amount	Weighted Average Rate
Twelve months ending:		
2025	\$ 48,000	5.65 %
Total FHLB advances	\$ 48,000	5.65 %

As of June 30, 2024, the Bank had \$8.8 million of loans pledged as collateral to secure a \$3.6 million overnight line of credit with the Federal Reserve Bank. As of June 30, 2023, the Bank had \$10.2 million of loans pledged as collateral to secure a \$3.7 million overnight line of credit with the Federal Reserve Bank. There was no outstanding balance for the overnight line of credit with the Federal Reserve Bank as of June 30, 2024 and 2023. In addition, as of June 30, 2024 and 2023, the Bank had \$10.0 million of available credit from the Atlantic Community Bankers Bank to purchase federal funds.

Note 11 — Income Taxes

The components of income tax expense (benefit) for the years ended June 30, 2024 and 2023 are as follows:

(Dollars in thousands)	Year end June 30,	
	2024	2023
Federal:		
Current	\$ (61)	\$ (430)
Deferred	(399)	570
	(460)	140
State, current	2	60
	\$ (458)	\$ 200

A reconciliation of the statutory federal income tax at a rate of 21.0% in 2024 and 2023 to the income tax expense included in the consolidated statements of income is as follows:

	Year ended June 30,			
	2024		2023	
(Dollars in thousands)	Amount	% of Pretax Loss	Amount	% of Pretax Income
Federal income tax at statutory rate	\$ (61)	21.0 %	\$ 630	21.0 %
State tax, net of federal benefit	2	(0.7)	47	1.6
Bank owned-life insurance	(261)	90.0	(232)	(7.7)
Income tax benefit	—	—	(211)	(7.1)
Other	(138)	47.6	(34)	(1.1)
	<u>\$ (458)</u>	<u>157.9 %</u>	<u>\$ 200</u>	<u>6.7 %</u>

Income tax expense for the year ended June 30, 2023 included a \$211 thousand one-time income tax benefit related to refunds received associated with the carryback of net operating losses under the CARES Act.

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

(Dollars in thousands)	June 30,	
	2024	2023
Deferred tax assets:		
Loan origination fees	\$ 125	\$ 150
Allowance for credit losses	687	762
Deferred director's fees	253	261
Deferred compensation	357	357
Purchase accounting adjustments	423	499
NOL carry forward	727	231
Net unrealized loss on securities	6,575	6,983
Stock based compensation	428	234
Other	282	344
Total deferred tax assets	<u>9,857</u>	<u>9,821</u>
Deferred tax liabilities:		
Premises and equipment	(271)	(336)
Total deferred tax liabilities	<u>(271)</u>	<u>(336)</u>
Net deferred tax asset	<u>\$ 9,586</u>	<u>\$ 9,485</u>

Deferred income taxes reflect temporary differences in the recognition of revenue and expenses for tax reporting and financial statement purposes, principally because certain items, such as the allowance for credit losses and loan fees are recognized in different periods for financial reporting and tax return purposes. As of June 30, 2024, the Company has a \$3.5 million net operating loss carryforward that will begin to expire by December 31, 2033. A valuation allowance has not been established for deferred tax assets. Realization of the deferred tax assets is dependent on generating sufficient taxable income. Although realization is not assured, management believes it is more likely than not that all of the deferred tax asset will be realized.

GAAP prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. Accounting literature also provides guidance on the accounting for and disclosure of unrecognized tax benefits, interest, and penalties. In accordance with GAAP, interest or penalties incurred for income taxes will be recorded as a component of other expenses. There are no material uncertain tax positions at June 30, 2024 or 2023. With few exceptions, the Company is no longer subject to U.S. Federal income tax examinations by taxing authorities for years before 2020.

Retained earnings included \$2.8 million at June 30, 2024 and 2023, respectively, for which no provision for federal income tax has been made. These amounts represent deductions for bad debt reserves for tax purposes which were only allowed to savings institutions which met certain definitional tests prescribed by the Internal Revenue Code of 1986, as amended. The Small Business Job Protection Act of 1996 eliminated the special bad debt deduction granted solely to thrifts. Under the terms of the Act, there would be no recapture of the pre-1988 (base year) reserves. However, these pre-1988 reserves would be subject to recapture under the rules of the Internal Revenue Code if the Bank itself pays a cash dividend in excess of earnings and profits, or liquidates. The Act also provides for the recapture of deductions arising from “applicable excess reserve” defined as the total amount of reserve over the base year reserve. The Bank’s total reserve exceeds the base year reserve and deferred taxes have been provided for this excess.

Note 12 – 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 William Penn Bancorporation common stock.

Under the Plan, the Company has granted 505,600 shares of restricted stock, net of forfeitures, with a weighted average grant date fair value of \$11.71 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 each of the years ended June 30, 2024 and 2023 was \$1.1 million. The expected future compensation expense related to the 313,989 non-vested restricted shares outstanding at June 30, 2024 was \$3.5 million over a weighted average period of 3.02 years. The expected future compensation expense related to the 383,258 non-vested restricted shares outstanding at June 30, 2023 was \$4.3 million over a weighted average period of 3.88 years.

The following is a summary of the Company's restricted stock activity during the year ended June 30, 2024:

Summary of Non-vested Restricted Stock Award Activity	Number of Shares	Weighted Average Grant Price
Non-vested Restricted Stock Awards outstanding July 1, 2023	383,258	\$ 11.66
Issued	26,544	12.44
Vested	(95,813)	11.66
Forfeited	—	—
Non-vested Restricted Stock Awards outstanding June 30, 2024	<u>313,989</u>	<u>\$ 11.73</u>

The following is a summary of the Company's restricted stock activity during the year ended June 30, 2023:

Summary of Non-vested Restricted Stock Award Activity	Number of Shares	Weighted Average Grant Price
Non-vested Restricted Stock Awards outstanding July 1, 2022	492,960	\$ 11.67
Issued	—	—
Vested	(95,798)	11.66
Forfeited	(13,904)	11.82
Non-vested Restricted Stock Awards outstanding June 30, 2023	<u>383,258</u>	<u>\$ 11.66</u>

The fair value of the 95,813 shares that vested during the year ended June 30, 2024 was \$1.2 million. The fair value of the 95,798 shares that vested during the year ended June 30, 2023 was \$914 thousand.

Under the Plan, the Company granted 1,264,000 stock options, net of forfeitures, 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 \$11.71, 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 2.98%, volatility of 24.60%, and a dividend yield of 1.02%. Compensation expense recognized for the stock options for the years ended June 30, 2024 and 2023 was \$796 thousand and \$771 thousand, respectively. The expected future compensation expense related to the 1,264,000 stock options outstanding at June 30, 2024 was \$2.4 million over a weighted average period of 3.02 years. The expected future compensation expense related to the 1,197,640 stock options outstanding at June 30, 2023 was \$3.0 million over a weighted average period of 3.88 years.

The following is a summary of the Company's stock option activity during the year ended June 30, 2024:

Summary of Stock Option Activity	Number of Options	Weighted Exercise Price per Shares
Beginning balance July 1, 2023	1,197,640	\$ 11.66
Granted	66,360	12.44
Exercised	—	—
Forfeited	—	—
Expired	—	—
Ending balance June 30, 2024	<u>1,264,000</u>	\$ 11.71

The following is a summary of the Company's stock option activity during the year ended June 30, 2023:

Summary of Stock Option Activity	Number of Options	Weighted Exercise Price per Shares
Beginning balance July 1, 2022	1,232,400	\$ 11.67
Granted	—	—
Exercised	—	—
Forfeited	(34,760)	11.82
Expired	—	—
Ending balance June 30, 2023	<u>1,197,640</u>	\$ 11.66

The weighted average remaining contractual term was approximately 7.97 years and there was no aggregate intrinsic value for options outstanding as of June 30, 2024. As of June 30, 2024, exercisable options totaled 479,056 with an average weighted exercise of price of \$11.66 per share, a weighted average remaining contractual term of approximately 7.88 years, and no aggregate intrinsic value. The weighted average remaining contractual term was approximately 8.88 years and there was no aggregate intrinsic value for options outstanding as of June 30, 2023. As of June 30, 2023, exercisable options totaled 239,528 with an average weighted exercise of price of \$11.66 per share, a weighted average remaining contractual term of approximately 8.88 years, and no aggregate intrinsic value.

Note 13 – Employee and Director Benefit Plans

401(k) Plan

The Bank has a savings plan qualified under Section 401(k) of the Internal Revenue Code which covers substantially all of its employees. Employees can contribute up to 50% of gross pay and the Bank matches 100% of such contributions up to 6%. The Company recorded \$442 thousand and \$421 thousand of expense associated with the 401(k) plan during the years ended June 30, 2024 and 2023, respectively.

Employee Stock Ownership Plan (“ESOP”)

The Company offers ESOP benefits to employees who meet certain eligibility requirements. In connection with the second-step conversion offering, and as previously disclosed, the William Penn Bank 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 previously disclosed, 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.

In connection with the purchase of the shares, the ESOP borrowed \$10.1 million from the Company at a fixed interest rate of 3.25% with a twenty-five-year term to fund the purchase of 881,130 shares. The Company makes annual contributions to the ESOP equal to the ESOP's debt service or equal to the debt service less the dividends received by the ESOP on unallocated shares. Shares purchased with the loan proceeds were initially pledged as collateral for the term loan and are held in a suspense account for future allocation among participants. Contributions to the ESOP and shares released from the suspense account are allocated among the participants on the basis of compensation, as described by the ESOP, in the year of allocation. The ESOP shares pledged as collateral are reported as unearned ESOP shares in the Company's consolidated statements of financial condition. As shares are committed to be released from collateral, the Bank reports compensation expense equal to the current market price of the shares, and the shares become outstanding for earnings-per-share computations. The Company recognized \$424 thousand and \$395 thousand of ESOP expense associated with the release of shares from collateral during the years ended June 30, 2024 and 2023, respectively.

	June 30,	
	2024	2023
Allocated shares	240,172	219,141
Shares committed to be released	17,479	17,479
Unreleased shares	766,027	801,272
Total ESOP shares	1,023,678	1,037,892
Fair value of unreleased shares	\$ 8,732,708	\$ 8,132,911

Directors Retirement Plan

The Bank has a retirement plan for the directors of the Bank. Upon retirement, a director who agrees to serve as a consulting director to the Bank will receive a monthly benefit amount for a period of up to 120 months. The plan was amended in October 2017 to allow credit for service as a director while also serving as an employee. The Company recognized expense of \$52 thousand and a credit of \$45 thousand for these benefits in its Consolidated Statements of Income for the years ended June 30, 2024 and 2023, respectively. At both June 30, 2024 and 2023, approximately \$1.6 million had been accrued under this plan.

Director Deferred Compensation Plan

The Bank has deferred compensation plans for certain directors of the Bank whereby they can elect to defer their directors' fees. Under the plans' provisions, benefits which accrue at the Bank's highest certificate of deposit rate will be payable upon retirement, death, or permanent disability. The Company recognized \$40 thousand and \$21 thousand of interest expense for these benefits in its Consolidated Statements of Income during the years ended June 30, 2024 and 2023, respectively. At both June 30, 2024 and 2023, approximately \$1.1 million had been accrued for this benefit plan.

Note 14 – Commitments and Contingencies

The Company leases several offices as part of its regular business operations. Please refer to note 17 to these consolidated financial statements for further detail regarding the Company's operating lease commitments. Please refer to note 2 to these consolidated financial statements for further detail regarding the how the Company estimates expected credit losses on unfunded loan commitments. In addition, the Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the Company's consolidated statements of financial condition.

A summary of the Company's loan commitments is as follows as of June 30, 2024 and 2023:

(Dollars in thousands)	June 30,	
	2024	2023
Commitments to extend credit	\$ 15,676	\$ 6,877
Unfunded commitments under lines of credit	65,705	75,372
Standby letters of credit	86	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 15 - 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 June 30, 2024, 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 June 30, 2024 (Dollars in thousands except for ratios)	Actual		CBLR Framework Requirement	
	Amount	Ratio	Amount	Ratio
William Penn Bank:				
Tier 1 leverage	\$ 134,494	16.10%	\$ 75,164	9.00%

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

Note 16 – 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 includes items for which quoted prices are available but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

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

The following table presents the assets required to be measured and reported on a recurring basis on the Company's Consolidated Statements of Financial Condition at their fair value as of June 30, 2024 and 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)	June 30, 2024			
	Level I	Level II	Level III	Total
Assets:				
Investments available for sale:				
Mortgage-backed securities	\$ —	\$ 95,125	\$ —	\$ 95,125
U.S. agency collateralized mortgage obligations	—	7,200	—	7,200
U.S. government agency securities	—	693	—	693
Municipal bonds	—	14,969	—	14,969
Corporate bonds	—	32,768	—	32,768
Equity securities	2,016	—	—	2,016
Total Assets	\$ 2,016	\$ 150,755	\$ —	\$ 152,771

(Dollars in thousands)	June 30, 2023			
	Level I	Level II	Level III	Total
Assets:				
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
Total Assets	\$ 1,629	\$ 165,127	\$ —	\$ 166,756

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.

Individually evaluated loans are generally measured for impairment using the fair value of the collateral supporting the loan. Individually evaluated loan collateral is based on Level 3 inputs utilizing outside appraisals adjusted by management for sales costs and other assumptions regarding market conditions to arrive at fair value. As of June 30, 2024 and 2023, the Company charged-off the collateral deficiency on impaired loans. As a result, there were no specific reserves on individually evaluated loans as of June 30, 2024 and 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 June 30, 2024 and 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 FHLB is estimated using discounted cash flow analyses, based on rates currently available to the Company for advances from FHLB 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 table below excludes financial instruments for which the carrying amount approximates fair value.

(Dollars in thousands)	Fair Value Measurements at June 30, 2024				
	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	\$ 470,572	\$ 439,118	\$ —	\$ —	\$ 439,118
Securities held to maturity	93,056	76,827	—	76,827	—
Financial instruments - liabilities:					
Certificates of deposit	173,661	171,613	—	—	171,613
Advances from Federal Home Loan Bank	48,000	48,000	—	—	48,000
Off-balance sheet financial instruments	—	—	—	—	—

Fair Value Measurements at June 30, 2023

(Dollars in thousands)	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial 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 17 — Leases

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. Substantially all of the leases in which the Company is the lessee include real estate property for branches and office space with terms extending through 2043. Topic 842 requires the Company to recognize a right-of-use (“ROU”) asset and corresponding lease liability for each of its operating leases. The operating lease ROU asset was \$8.3 million and \$8.9 million as of June 30, 2024 and 2023, respectively, and the operating lease liability was \$8.6 million and \$9.1 million as of June 30, 2024 and 2023, respectively. The Company elected not to include short-term leases (i.e., leases with initial terms of twelve months or less), or equipment leases (deemed immaterial) on the Consolidated Statements of Financial Condition.

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

	June 30, 2024
Weighted average remaining lease term	
Operating leases	15.8 years
Weighted average discount rate	
Operating leases	2.92 %
	June 30, 2023
Weighted average remaining lease term	
Operating leases	16.4 years
Weighted average discount rate	
Operating leases	2.89 %

The Company recorded \$891 thousand and \$798 thousand of net lease costs during the years ended June 30, 2024 and 2023, respectively. Future minimum payments for operating leases with initial or remaining terms of one year or more as of June 30, 2024 were as follows:

(in thousands)	June 30, 2024
	Operating Leases
For the year ended June 30,	
2025	\$ 825
2026	620
2027	636
2028	649
2029	659
Thereafter	7,378
Total future minimum lease payments	\$ 10,767
Amounts representing interest	(2,214)
Present value of net future minimum lease payments	\$ 8,553

Note 18 — Related Party Transactions

At June 30, 2024 and 2023 certain directors, executive officers, principal holders of the Company's common stock, associates of such persons, and affiliated companies of such persons were indebted, including undrawn commitments to lend, to the Bank in the aggregate amount of \$3.8 million and \$4.0 million, respectively. These total commitments to lend include \$1.3 million of undrawn commitments at both June 30, 2024 and 2023. The commitments are in the form of loans and guarantees for various business and personal interests. This indebtedness was incurred in the ordinary course of business on substantially the same terms, including interest rate and collateral, as those prevailing at the time of comparable transactions with unrelated parties. This indebtedness does not involve more than the normal risk of repayment or present other unfavorable features.

The following table shows the loan activity for related parties for the years ended June 30, 2024 and 2023:

(Dollars in thousands)	June 30,	
	2024	2023
Beginning Balance	\$ 2,680	\$ 1,121
New loans and funding of existing lines of credit	—	1,745
Repayments	(124)	(186)
Loans to former related parties	(17)	—
Ending balance	\$ 2,539	\$ 2,680

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

During the years ended June 30, 2024 and 2023, the Bank purchased certain insurance policies through a related party insurance agency and paid insurance commissions of \$32 thousand and \$31 thousand, respectively. These insurance commissions are included in other expense on the Company's Consolidated Statements of Income.

At June 30, 2024 and 2023, certain directors, executive officers, principal holders of the Company's common stock, associates of such persons, and affiliated companies of such persons had deposits with the Bank in the aggregate amount of \$1.4 million and \$1.5 million, respectively.

Note 19 — Parent Company Financial Information

**WILLIAM PENN BANCORPORATION
CONDENSED STATEMENTS OF FINANCIAL CONDITION — PARENT COMPANY ONLY**

(Dollars in thousands)

As of June 30, 2024 and 2023

	June 30,	
	2024	2023
ASSETS		
Cash on deposit at the Bank	\$ 4,233	\$ 14,119
Investment in the Bank	118,422	144,004
Equity securities	2,016	1,629
Other assets	368	1,190
TOTAL ASSETS	\$ 125,039	\$ 160,942
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accrued and other liabilities	\$ 438	\$ 197
TOTAL LIABILITIES	438	197
Commitments and contingencies	—	—
STOCKHOLDERS' EQUITY	124,601	160,745
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 125,039	\$ 160,942

**WILLIAM PENN BANCORPORATION
CONDENSED STATEMENTS OF OPERATIONS — PARENT COMPANY ONLY**

(Dollars in thousands)

For the Years Ended June 30, 2024 and 2023

	Year Ended June 30,	
	2024	2023
INCOME		
Interest on interest-bearing deposits with the Bank	\$ 21	\$ 79
Interest income on securities	131	131
Unrealized gain (loss) on equity securities	387	(629)
Total income (loss)	539	(419)
EXPENSES		
Professional fees	449	495
Other expenses	234	202
Total expenses	683	697
Loss before income tax benefit and equity in undistributed net income of affiliates	(144)	(1,116)
Income tax benefit	(33)	(257)
Equity in undistributed net income of the Bank	279	3,661
NET INCOME	\$ 168	\$ 2,802
Comprehensive income (loss)	\$ 1,533	\$ (5,219)

WILLIAM PENN BANCORPORATION
CONDENSED STATEMENTS OF CASH FLOW — PARENT COMPANY ONLY

(Dollars in thousands)

For the Years Ended June 30, 2024 and 2023

	Year Ended June 30,	
	2024	2023
Cash flows from operating activities		
Net income	\$ 168	\$ 2,802
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Equity in undistributed net earnings of subsidiaries	(279)	(3,661)
Unrealized (gain) loss on equity securities	(387)	629
Net intercompany transactions	2,667	1,483
Dividend from the Bank	27,000	—
Other	764	205
Net cash provided by operating activities	29,933	1,458
Cash flows from investing activities		
Net cash provided by investing activities	—	—
Cash flows from financing activities		
Cash dividends	(1,160)	(1,584)
Stock purchased and retired	(38,659)	(27,056)
Net cash used in financing activities	(39,819)	(28,640)
Net decrease in cash and cash equivalents	(9,886)	(27,182)
Cash and cash equivalents – beginning	14,119	41,301
Cash and cash equivalents – ending	\$ 4,233	\$ 14,119
Supplementary cash flows information		
Income tax payments	\$ —	\$ —

Note 20 — Subsequent Events

On July 17, 2024, the Company declared a cash dividend of \$0.03 per share, that was paid on August 8, 2024, to common shareholders of record at the close of business on July 29, 2024.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: September 5, 2024

By: /s/ Kenneth J. Stephon

Kenneth J. Stephon
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
<u>/s/ Kenneth J. Stephon</u> Kenneth J. Stephon	Chairman, President and Chief Executive Officer (Principal Executive Officer)	September 5, 2024
<u>/s/ Jonathan T. Logan</u> Jonathan T. Logan	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	September 5, 2024
<u>/s/ William J. Feeney</u> William J. Feeney	Director	September 5, 2024
<u>/s/ D. Michael Carmody, Jr</u> D. Michael Carmody, Jr	Director	September 5, 2024
<u>/s/ Glenn Davis</u> Glenn Davis	Director	September 5, 2024
<u>/s/ Christopher M. Molden</u> Christopher M. Molden	Director	September 5, 2024
<u>/s/ William B.K. Parry, Jr.</u> William B.K. Parry, Jr.	Director	September 5, 2024
<u>/s/ Terry L. Sager</u> Terry L. Sager	Director	September 5, 2024
<u>/s/ Vincent P. Sarubbi</u> Vincent P. Sarubbi	Director	September 5, 2024