

WILLIAM PENN BANCORP INC  
Form 10-Q  
November 15, 2010

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

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FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2010

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 Number 0-53172

WILLIAM PENN BANCORP, INC.  
(Exact name of registrant as specified in its charter)

United States  
(State or other jurisdiction of  
incorporation or organization)

37-1562563  
(I.R.S. Employer  
Identification No.)

8150 Route 13, Levittown, Pennsylvania  
(Address of principal executive offices)

19057  
(Zip Code)

(215) 945-1200  
(Registrant's telephone number, including area code)

Not applicable  
(Former name, former address and former fiscal year, if changed since last report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). " Yes " No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

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

As of November 15, 2010 there were 3,641,018 shares of the issuer’s common stock outstanding.

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WILLIAM PENN BANCORP, INC.  
QUARTERLY REPORT ON FORM 10-Q

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

William Penn Bancorp, Inc.

Consolidated Balance Sheets

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

	September 30, 2010 (unaudited)		June 30, 2010
<b>ASSETS</b>			
Cash and due from banks	\$ 703	\$	725
Interest bearing deposits with other banks	16,853		18,903
Total cash and cash equivalents	17,556		19,628
Interest bearing time deposits	1,180		779
Securities available for sale	17,695		16,447
Securities held to maturity, fair value of \$33,703 and \$48,689	33,119		48,014
Loans receivable, net of allowance for loan losses of \$2,790 and \$2,645, respectively	238,965		230,367
Premises and equipment, net	2,468		2,208
Federal Home Loan Bank stock, at cost	4,974		4,974
Deferred income taxes	1,676		1,696
Real estate owned	1		233
Accrued interest receivable and other assets	2,338		2,023
<b>TOTAL ASSETS</b>	<b>\$ 319,972</b>	<b>\$</b>	<b>326,369</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Deposits:			
Non-interest bearing	\$ 1,920	\$	2,341
Interest bearing	176,524		178,940
Total deposits	178,444		181,281
Advances from Federal Home Loan Bank	85,500		89,000
Advances from borrowers for taxes and insurance	783		2,107
Accrued interest payable and other liabilities	2,962		2,774
<b>TOTAL LIABILITIES</b>	<b>267,689</b>		<b>275,162</b>
Commitments and contingencies	-		-

## STOCKHOLDERS' EQUITY

Preferred stock, no par value, 1,000,000 shares authorized;			
no shares issued	-		-
Common Stock, \$.10 par value, 49,000,000 shares authorized;			
3,641,018 shares issued and outstanding	364		364
Additional paid-in capital	9,819		9,811
Unallocated common stock held by the Employee Stock Ownership Plan ("ESOP")	(633)		(655)
Retained earnings	41,721		40,891
Accumulated other comprehensive income	1,012		796
TOTAL STOCKHOLDERS' EQUITY	52,283		51,207
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	319,972	\$	326,369

See accompanying notes to the unaudited consolidated financial statements

William Penn Bancorp, Inc.  
 Consolidated Statements of Income  
 (Dollars in thousands, except share and per share data)

	September 30, 2010	Three months ended (unaudited)	2009
<b>INTEREST INCOME</b>			
Loans receivable, including fees	\$ 3,446	\$	3,357
Taxable securities	409		646
Exempt from federal income tax	3		3
Other	13		21
Total Interest Income	3,871		4,027
<b>INTEREST EXPENSE</b>			
Deposits	672		846
Borrowings	810		975
Total Interest Expense	1,482		1,821
Net Interest Income	2,389		2,206
Provision For Loan Losses	145		94
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>			
	2,244		2,112
<b>OTHER INCOME</b>			
Service fees	32		29
Realized gain on securities	-		70
Gain on sale of loans, net	27		6
Other	34		35
Total Other Income	93		140
<b>OTHER EXPENSES</b>			
Salaries and employee benefits	653		570
Occupancy and equipment	170		161
Professional fees	37		43
FDIC premium	53		57
Other	188		136
Total Other Expenses	1,101		967
Income Before Income Taxes	1,236		1,285
Income Tax Expenses	406		430
NET INCOME	\$ 830	\$	855
	\$ 0.23	\$	0.24

Basic and diluted earnings per share

(Note 5)

See accompanying notes to the unaudited consolidated financial statements

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William Penn Bancorp, Inc.		Three months ended September 30,	
Consolidated Statements of Cash Flows		2010	2009
(Dollars in thousands)		(unaudited)	
Cash Flows from Operating Activities			
Net income	\$	830	\$ 855
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses		145	94
Provision for depreciation		50	43
Net amortization of securities premiums and discounts		46	108
Compensation expense on ESOP		30	30
Deferred income taxes		20	(5)
Origination of loans for sale		(1,199)	(495)
Proceeds from sale of loans		1,226	501
Gain on sale of loans		(27)	(6)
Realized gain on securities		-	(70)
Increase in accrued interest receivable and other assets		(426)	(16)
(Decrease) increase in accrued interest payable and other liabilities		188	(55)
Net Cash Provided by Operating Activities		883	984
Cash Flows from Investing Activities			
Securities available for sale:			
Purchases		(2,017)	(3,991)
Maturities, calls and principal paydowns		1,089	1,563
Securities held to maturity:			
Purchases		(9,227)	(6,829)
Maturities, calls and principal paydowns		24,083	8,738
Net increase in loans receivable		(8,743)	(9,791)
Interest bearing time deposits:			
Purchases		(500)	-
Maturities & principal paydowns		99	610
Proceeds from sale of REO		232	-
Purchases of premises and equipment		(310)	(200)
Net Cash Provided by (Used for) Investing Activities		4,706	(9,900)
Cash Flows from Financing Activities			
Net (decrease) increase in deposits		(2,837)	297
Repayment of advances from Federal Home Loan Bank		(3,500)	(2,000)
Decrease in advances from borrowers for taxes and insurance		(1,324)	(1,311)
Net Cash Used for Financing Activities		(7,661)	(3,014)
Net Decrease in Cash and Cash Equivalents		(2,072)	(11,930)
Cash and Cash Equivalents-Beginning		19,628	15,855
Cash and Cash Equivalents-Ending	\$	17,556	\$ 3,925
Supplementary Cash Flows Information			
Interest paid	\$	1,556	\$ 1,865

Income taxes paid	\$	550	\$	325
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See accompanying notes to the unaudited consolidated financial statements.

WILLIAM PENN BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

Note 1 - William Penn Bancorp, Inc.

The registrant, William Penn Bancorp, Inc. (the “Company”) is a federally chartered corporation formed for the purpose of becoming the mid-tier holding company for William Penn Bank, FSB (the “Bank”) in connection with its mutual holding company reorganization.

On April 15, 2008, the Bank completed the reorganization and became a wholly owned subsidiary of the Company. As part of the transaction, the Company sold 1,025,283 shares of its common stock, \$.10 par value, to the public at \$10.00 per share (including 87,384 shares purchased by the Bank’s Employee Stock Ownership Plan with funds borrowed from the Company) and issued 2,548,713 shares to William Penn, MHC. In addition, the Company contributed 67,022 shares to the William Penn Bank Community Foundation. Prior to consummation of the reorganization, the Company had no assets or liabilities.

Note 2 - Nature of Operations

The consolidated financial statements include the accounts of William Penn Bancorp, Inc. (the “Company”), and its wholly owned subsidiary, William Penn Bank, FSB (the “Bank”), and the Bank’s wholly owned subsidiary, WPSLA Investment Corporation (“WPSLA”). The primary purpose of the Company is to act as the holding company for the Bank. The Company is subject to regulation and supervision by the Office of Thrift Supervision (the “OTS”). William Penn Bank, FSB is a federally chartered savings bank. The Bank’s primary business consists of the taking of deposits and granting of mortgage loans to the customers generally in the Bucks County, Pennsylvania area. The Bank is supervised and regulated by the OTS. The investment in subsidiary on the parent company’s financial statements is carried at the parent company’s equity in the underlying net assets. WPSLA was incorporated under Delaware law to hold securities for the Bank. All intercompany transactions and balances have been eliminated in consolidation.

Note 3 – Basis of Consolidated Financial Statement Presentation

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-Q and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations and cash flows in conformity with generally accepted accounting principles (“GAAP”). However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated financial statements have been included. The results of operations for the three months ended September 30, 2010, are not necessarily indicative of the results that may be expected for the entire fiscal year or any other period.

The data in the consolidated balance sheet for June 30, 2010 was derived from the Company’s audited consolidated financial statements. That data, along with the interim financial information presented in the consolidated balance sheets, statements of income and statements of cash flows should be read in conjunction with the 2010 consolidated financial statements of William Penn Bancorp, Inc. including the notes thereto included in the Annual Report on Form 10-K for the year ended June 30, 2010. William Penn Bancorp, Inc. is a “smaller reporting company” as defined by Item 10 of Regulation S-K and the financial statements were prepared in accordance with instructions applicable for such companies.



## Note 4 - Comprehensive Income

The components of comprehensive income include unrealized gains and losses on available for sale securities. Comprehensive income for the three months ended September 30, 2010 and 2009 was \$1,046,000 and \$1,080,000, respectively.

	Three months ended September 30,	
	2010	2009
	(in thousands)	
Unrealized holding gains on available for sale securities	\$ 327	\$ 411
Reclassification adjustment for gains included in net income	-	(70)
Net Unrealized Gains	327	341
Income tax effect	111	116
Net of Tax Amount	\$ 216	\$ 225

## Note 5 – Earnings Per Share

There are no convertible securities which would affect the numerator in calculating basic and diluted earnings per share; therefore, the net income for the three months ended September 30, 2010 and 2009, respectively as presented on the Consolidated Statements of Income (unaudited), is used as the numerator.

The following table sets forth the composition of the weighted-average common shares (denominator) used in the basic and diluted earnings per share computation.

	Three months ended September 30,	
	2010	2009