

WILLIAM PENN BANCORP INC
Form 10-Q
February 16, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

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 December 31, 2009

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 definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(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 February 16, 2010, there were 3,641,018 shares of the issuer’s common stock outstanding.

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)

	December 31, 2009 (unaudited)	June 30, 2009
ASSETS		
Cash and due from banks	\$ 16,283	\$ 15,855
Interest bearing time deposits	1,518	2,524
Securities available for sale	15,970	10
Securities held to maturity, for value of \$42,654 and \$59,603\$	42,094	59,015
Loans receivable, net of allowance for loan losses of \$2,342 and \$2,180, respectively	231,025	219,939
Premises and equipment, net	2,065	1,953
Federal Home Loan Bank stock, at cost	4,932	4,932
Deferred income taxes	1,924	2,052
Accrued interest receivable and other assets	2,582	1,748
Real estate owned	428	206
TOTAL ASSETS	\$ 318,821	\$ 308,234
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Non-interest bearing	\$ 1,290	\$ 2,916
Interest bearing	172,616	164,176
Total deposits	173,906	167,092
Advances from Federal Home Loan Bank	92,000	89,000
Advances from borrowers for taxes and insurance	1,450	2,157
Accrued interest payable and other liabilities	2,674	3,078
TOTAL LIABILITIES	270,030	261,327
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	9,796	9,781
Unallocated common stock held by the Employee Stock Ownership Plan ("ESOP")	(699)	(743)
Retained earnings	39,199	37,505
Accumulated other comprehensive income	131	—
TOTAL STOCKHOLDERS' EQUITY	48,791	46,907
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 318,821	\$ 308,234

See accompanying notes to the unaudited consolidated financial statements

William Penn Bancorp, Inc.

Consolidated statement of income
(Dollars in thousands, except share and per share data)

	Three months ended December 31,		Six months ended December 31,	
	2009	2008	2009	2008
	(unaudited)		(unaudited)	
INTEREST INCOME				
Loans receivable, including fees	\$3,507	\$3,341	\$6,864	\$6,554
Taxable securities	591	695	1,237	1,469
Exempt from federal income tax	2	-	5	-
Other	20	85	41	196
Total Interest Income	4,120	4,121	8,147	8,219
INTEREST EXPENSE				
Deposits	807	1,171	1,653	2,390
Borrowings	963	969	1,938	1,850
Total Interest Expense	1,770	2,140	3,591	4,240
Net Interest Income	2,350	1,981	4,556	3,979
Provision For Loan Losses	92	62	186	62
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES				
	2,258	1,919	4,370	3,917
OTHER INCOME				
Service fees	37	39	66	68
Realized gain on sale of available for sale securities	7	-	77	-
Other	54	32	95	69
Total Other Income	98	71	238	137
OTHER EXPENSES				
Salaries and employee benefits	616	555	1,186	1,091
Occupancy and equipment	161	162	322	312
FDIC deposit insurance premium	52	7	103	14
Professional fees	26	18	69	123
Other	251	237	393	407
Total Other Expenses	1,106	979	2,073	1,947
Income before Income Taxes	1,250	1,011	2,535	2,107
Income Tax Expenses	412	336	842	702
NET INCOME	\$838	\$675	\$1,693	\$1,405

Basic and diluted earnings per share (Note 5)	\$0.23	\$0.19	\$0.47	\$0.39
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See accompanying notes to the unaudited consolidated financial statements

William Penn Bancorp, Inc.

Consolidated Statements of Cash Flows (In Thousands)

	Six Months Ended December 31,	
	2009	2008
Cash Flows from Operating Activities	(Unaudited)	
Net income	\$1,693	\$1,405
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	186	62
Provision for depreciation	89	80
Net amortization (accretion) of securities premiums and discounts	209	(67)
Compensation expense on ESOP	67	60
Deferred income taxes	128	60
Origination of loans for sale	(1,160)	-
Proceeds from sale of loans	1,171	-
Gain on sale of loans	(11)	-
Prepaid FDIC expenses	(734)	-
Realized gains on sales of securities	(77)	-
(Decrease) increase in accrued interest receivable and other assets	(322)	173
Decrease in accrued interest payable and other liabilities	(404)	(633)
Net Cash Provided by Operating Activities	835	1,140
Cash Flows from Investing Activities		
Securities available for sale:		
Purchases	(5,418)	(4)
Proceeds from sales of securities	2,806	-
Securities held to maturity:		
Purchases	(11,278)	(7,592)
Maturities, calls and principal paydowns	14,842	15,605
Net increase in loans receivable	(11,272)	(21,576)
Interest bearing time deposits:		
Purchases	-	(397)
Maturities & principal paydowns	1,006	885
Federal Home Loan Bank Stock:		
Purchases	-	(955)
Repurchases	-	80
Purchases of premises and equipment	(200)	(168)
Net Cash Used for Investing Activities	(9,514)	(14,122)
Cash Flows from Financing Activities		
Net increase (decrease) in deposits	6,814	(625)
Proceeds from advances from Federal Home Loan Bank	5,000	21,000
Repayment of advances from Federal Home Loan Bank	(2,000)	(4,000)
Decrease in advances from borrowers for taxes and insurance	(707)	(580)
Net Cash Provided by Financing Activities	9,107	15,795
Net Increase in Cash and Cash Equivalents	428	2,813
Cash and Cash Equivalents-Beginning	15,855	7,233
Cash and Cash Equivalents-Ending	\$16,283	\$10,046
Supplementary Cash Flows Information		

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Interest paid	\$3,601	\$4,182
Income taxes paid	\$875	\$850
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.

Note 3 – Basis of Consolidated Financial Statement Presentation

The consolidated financial statements include the accounts of the Company, the Bank and WPSLA. WPSLA Investment Corporation was incorporated under Delaware law to hold securities for the Bank. All intercompany transactions and balances have been eliminated in consolidation.

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 U.S. 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 and six months ended December 31, 2009, 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, 2009 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 2009 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, 2009. 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.

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Note 4 - Comprehensive Income (Loss)

The components of comprehensive income include unrealized gains and losses on available for sale securities. Comprehensive income for the three months ended December 31, 2009 and 2008 was \$703,000 and \$675,000, respectively and for six months ended December 31, 2009 and 2008 was \$1,969,000 and \$1,405,000 respectively.

	Three months ended December 31,		Six months ended December 31,	
	2009	2008	2009	2008
	(in thousands)		(in thousands)	
Unrealized holding gains (losses) on available-for- sale securities	\$ (135) \$-	\$ 276	\$-
Reclassification adjustment for gains included in net income	(7)	(77)
Net Unrealized Gains	\$ (142) \$-	\$ 199	\$-
Income tax effect	(48) -	68	-
Net of Tax Amount	\$ (94) \$-	\$ 131	\$-

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 of \$838,000 and \$1,693,000 for the three months and six months ended December 31, 2009, respectively as presented on the Consolidated Statements of Income (unaudited), will be 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 December 31,		Six Months Ended December 31,	
	2009	2008	2009	2008
Weighted-average common shares outstanding	3,641,018	3,641,018	3,641,018	3,641,018
Average unearned ESOP shares	(70,660)	(79,396)	(71,756)	(80,495)
Weighted-average common shares and common stock equivalents used to calculate basic and diluted earnings per share	3,570,358	3,561,620	3,589,262	3,560,523
Net income	\$ 838	\$ 675	\$ 1,693	\$ 1,405
Basic and diluted earnings per share	\$ 0.23	\$ 0.19	\$ 0.47	\$ 0.39

Note 6 – Securities

The amortized cost and approximate fair value of securities are summarized as follows (in thousands):

	Amortized Cost	December 31, 2009		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
Available For Sale:				
Mutual funds	\$12	\$-	\$-	\$12
Collateralized mortgage obligations	15,759	494	(295)	15,958
Total	\$15,771	\$494	\$(295)	\$15,970
Held to Maturity:				
U.S. Government corporations and agencies securities	\$28,839	\$309	\$(87)	\$29,061
Mortgage-backed securities	5,851	264	-	6,115
Collateralized mortgage obligations	7,005	75	(3)	7,077
Corporate bonds	100	1	-	101
Municipal bonds	299	2	(1)	300
Total	\$42,094	\$651	\$(91)	\$42,654

	Amortized Cost	June 30, 2009		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
Available For Sale:				
Mutual Funds	\$10	\$-	\$-	\$10
	\$10	\$-	\$-	\$10
Held to Maturity:				
U.S. Government corporations and agencies securities	\$32,371	\$669	\$(82)	\$32,958
Mortgage-backed securities	6,908	220	-	7,128
Collateralized mortgage obligations	19,236	271	(491)	19,016
Corporate bonds	201	1	-	202
Municipal bonds	299	-	-	299
Total	\$59,015	\$1,161	\$(573)	\$59,603

The amortized cost and fair value of securities, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the securities may be called or prepaid with or without penalties (in thousands).

Note 6 – Securities (Continued)

	December 31, 2009		December 31, 2008	
	Held to Maturity		Held to Maturity	
	Amortized	Fair	Amortized	Fair
	Cost	Value	Cost	Value
Due in one year or less	\$5,100	\$5,167	\$—	\$—
Due after one year through five years	6,398	6,491	—	—
Due after five years through ten years	7,058	7,085	—	—
Due after ten years	10,682	10,719	—	—
Mortgage-Backed securities	5,851	6,115	—	—
Collateralized mortgage obligations	7,005	7,077	15,759	15,958
	\$42,094	\$42,654	\$15,759	\$15,958

In 2009, the Company recognized proceeds from sale of investment securities classified as available for sale and related gross gains of \$2,806,000 and \$70,000, respectively. The Company also recognized proceeds from called investments classified as held to maturity and related gross gains of \$112,000 and \$7,000 respectively which was a held to maturity investment. In 2008, the Company did not have any sales of investments securities available for sale and did not experience any gross realized gains or losses.

In 2009, the Company transferred its entire holdings in private label collateralized mortgage obligations from held to maturity classification to available for sale. The transfer of the securities to the available for sale category was based on a change in the Company's intent with respect to holding these securities to maturity. The amortized cost and gross unrealized gains on these transferred securities was \$11.4 million and \$256,000, respectively.

The following table shows the Company's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (in thousands):

	December 31, 2009				Total	Unrealized
	Less than 12 Months		12 Months or More			
	Fair	Unrealized	Fair	Unrealized	Fair	Losses
	Value	Losses	Value	Losses	Value	Losses
Available For Sale:						
Collateralized mortgage obligations	\$2,720	\$(195)	\$1,734	\$(100)	\$4,454	\$