

# Gaining Momentum



2021 Annual Report





Gary S. Olson,  
President & CEO

## Fellow Shareholders:

The past year was exceptional, presenting challenges but also many opportunities for ESSA Bancorp to serve customers, assist the communities in which we operate, and ultimately deliver positive results for shareholders. Our team continued executing on actions consistent with our long-term plan to be a high-performing financial institution. We closed 2021 with strong financial results and entered the new fiscal year with positive **momentum**.

Anticipating and proactively responding to a changing economic and public health environment throughout the year, we demonstrated flexibility, responsiveness, and a commitment to providing timely financial solutions to customers. This led to the strongest operational performance in our Company's 105-year history, highlighted by \$500 million in loan production, deposit growth of \$92 million, elimination of all borrowings, and significant reduction in nonperforming loans while not recording any loan charge-offs.

ESSA Bancorp's financial performance in fiscal 2021 reflected our forward-looking strategic focus, supported by disciplined expense management and operational efficiencies. In fiscal 2021, the Company reported record net income of \$16.4 million, or \$1.65 per share, a 14% increase from the previous year. Net interest income after provision for loan losses was \$50.2 million, representing 12% growth from the year before. With earnings growth, solid asset quality, and a strong capital position, the Company delivered continued value for shareholders.

Total stockholders' equity in fiscal 2021 increased compared with a year earlier, and tangible book value per share on September 30, 2021, rose 10% to \$17.92 compared with \$16.26. Our financial performance enabled the Company to increase total dividends per share in fiscal 2021 to \$0.47 from \$0.44 in fiscal 2020. Management and our Board of Directors greatly appreciate the confidence shareholders demonstrated in ESSA Bancorp's ability to successfully navigate through the ongoing economic and pandemic-related challenges of 2021.

### Service, Safety, Technology

Our technological capabilities supported effective performance, enabling us to operate without interruption and deliver a full scope of banking services. We continue to deploy new products and services, and advance our digital capabilities that create opportunities to serve customers in different ways and through multiple channels. Technology has enabled employees to manage operations, engaging and serving customers remotely and in person. We're striving to be a leader in cashless banking and digital delivery of information and service to commercial and retail customers.

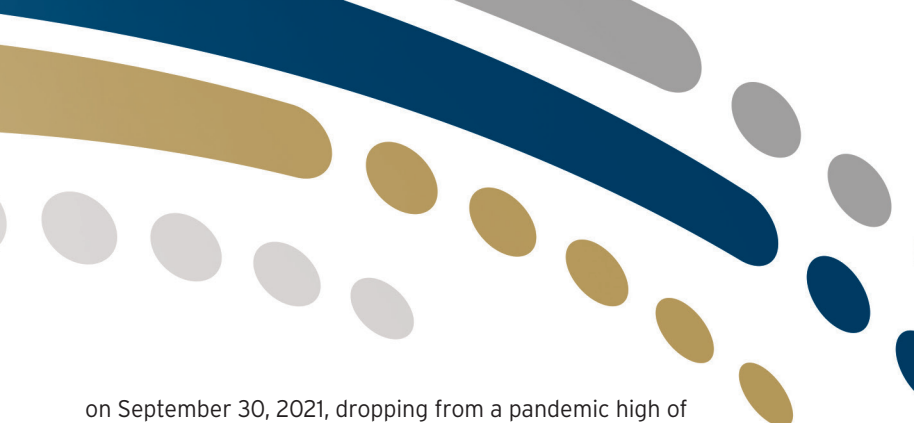
All banking facilities and offices operated with a strong commitment to ensuring the health and safety of employees and customers. During the year, while prudently reopening as the greatest threats from COVID-19 subsided and vaccinations became readily available, we operated, and continue to operate, with employee and customer health and safety as a top priority.

### Capital, Asset Quality, Liquidity

Maintaining strong capital, asset quality, and appropriate liquidity was a cornerstone of ESSA Bank's strategy at the start of the pandemic. All three measures remained strong throughout 2021.

The Bank demonstrated financial strength with a Tier 1 leverage ratio of 10.0% and Tier 1 risk-based capital of 13.22%, both of which exceeded regulatory standards for a well-capitalized institution. Entering 2022, ESSA has the financial strength and capital to deploy toward growth.

Asset quality showed considerable improvement in fiscal 2021 as nonperforming loans comprised less than 1% of total loans



on September 30, 2021, dropping from a pandemic high of 1.55%. The dollar amount of nonperforming loans declined year-over-year, as did loans in forbearance. Our allowance for loan losses to total loans was 1.33% compared to 1.07% at year-end 2020. During 2021 the Bank had no charge-offs.

Exercising appropriate caution, the Company maintained the high level of cash reserves built in 2020 to ensure sufficient liquidity. Deposit growth, combined with unprecedented government stimulus, contributed to a high level of cash reserves. We did not need to access those reserves but have continued to maintain them as pandemic-related uncertainties remain. We are gratified that throughout 2021 we assisted in maintaining the stability of the financial condition of our customers and communities.

### **Record Level of Lending Activity**

The economic and health events of 2021 had some impact on the normal course of business, particularly regarding consumer and business confidence. However, with great perseverance, responsiveness, and dedication, our banking teams capitalized on opportunities to meet customers' needs. This led to record loan production of over \$500 million.

The Company effectively tapped into an active housing market throughout the year. Our mortgage lenders' ability to approve quickly and efficiently, process, and close loans supports the Bank's position as a preferred residential mortgage lender. Selling many of these loans to the secondary market enables the Company to capture the value of originating residential mortgages while maintaining a balance sheet focused primarily on commercial loans and mitigating long-term interest rate risk.

Commercial lending trended positively despite a subdued economy, supplemented by Paycheck Protection Program (PPP) lending, which assisted hundreds of businesses with federally guaranteed loans. Our team spent many long hours in 2020 and 2021 processing and helping secure these loans. As anticipated, most of these loans have been forgiven and removed from our balance sheet. While retaining these PPP loans had only a temporary impact on the Company's balance sheet, they contributed to maintaining momentum.



## **Commercial Lending**



## **Residential Mortgages**



We consider the program to have successfully mitigated operating risks for recipients. Our capabilities enabled us to assist numerous businesses that were not customers. ESSA's responsiveness and willingness to assist opened the door to new commercial lending and banking relationships.

We had an exceptionally strong year in commercial real estate and residential mortgage lending activity, with production of \$280 million and \$239 million, respectively.

We entered fiscal 2022 with encouraging momentum, including a pipeline of commercial loans in excess of \$200 million. With the anticipated resumption of more normal business activity, we believe the outlook for growth and lending activity is promising. We continue to selectively add skilled banking professionals to serve a growing commercial customer base and generate new relationship opportunities.

### **Deposits, Digital Capabilities, Relationship Banking**

Commercial and retail deposits have provided a strong foundation for lending growth and eliminating our use of borrowed funds in fiscal 2021. Total deposits increased to \$1.64 billion on September 30, 2021, from \$1.54 billion a year earlier, led by growth in lower-cost core deposits (demand, savings, and money market accounts), which comprised 87% of total deposits, up from 70% a year earlier. We reduced interest expense by 64% year-over-year, which contributed to net interest income momentum and reflected active balance sheet management and the repricing of deposits to keep pace with a continuing low interest rate environment. For the first time in decades, the Company had no Federal Home Loan Bank borrowings in fiscal 2021 and the cost

of interest-bearing liabilities declined to less than half that of fiscal 2020.

To attract and retain core deposits in a low interest rate environment, we provide products and services that make banking more convenient and cost-effective for customers, providing them with integrated financial solutions for their banking needs. Our contactless MasterCard debit card, issued in 2020, has generated thousands of transactions. New and upgraded mobile banking capabilities for commercial and retail customers, increased limits for mobile and remote deposits, and no fee increases to customers supported deposit growth and retention.

The use of and demand for ESSA's digital banking capabilities underscores our belief that technology and service are key to success and growth in the years to come. Providing leading-edge technology and digital capabilities is a critical element in our strategy to remain relevant to a broad spectrum of customers, achieve scale, and generate sustainable growth.

In fiscal 2021, overall retail and commercial mobile transactions (transfers and deposits) increased 34% compared with fiscal 2020, while total branch transactions declined 17% in fiscal 2021 following a 20% decline in 2020.

Our range of electronic cash management services continues to be embraced by commercial customers. For example, remote deposit capture volumes increased by \$107 million or 15% in fiscal 2021 compared with fiscal 2020, ACH origination volume rose 22% year-over-year, and business online wire volume increased 16% compared with the previous year. We anticipate these trends will continue.



**Deposits**



**Capabilities**

**The economic, health, and societal events of 2021, and our positive response, underscored the value of our strategy to evolve in the ways we interact and collaborate with employees, customers, and the communities we serve.**

## **Community Commitment & Corporate Governance**

As we strive for operational and service excellence, ESSA has maintained its longstanding commitment to corporate citizenship by supporting our guiding principle of helping to improve the quality of life in the communities in which we operate. The Bank participates in private sector and public partnerships that benefit our communities, including partnering with federal courts in our CARE and STAR programs that provide loans and financial education to help people re-enter society after incarceration. This year we commenced a new financial literacy partnership with the First Tee of Philadelphia. In 2021 we provided over \$180 thousand in corporate contributions to 135 community organizations. Our employees volunteered their time and skills, providing more than 2,500 hours of community service, and the ESSA Foundation made grants totaling \$1.4 million to community organizations throughout our footprint.

Effective corporate governance remains a priority and helps support a positive workplace environment, transparency for investors and shareholders, and a company that reflects the communities it serves. In 2021 we welcomed two new Board members, which reflects our belief that Board composition should be as diverse as the communities we serve. Diversity includes gender and race, background, and skills. Half of our independent Directors are women, making significant contributions to ESSA and serving as leaders in their respective businesses. We are committed to being a company that reflects diversity, inclusion, and equality in our governance and our workforce.

## **The Future of Banking at ESSA**

The economic, health, and societal events of 2021, and our positive response, underscored the value of our strategy to evolve how we interact and collaborate with employees, customers, and the communities we serve. We believe the changes that have come with the events of the last two years will require even more innovation.

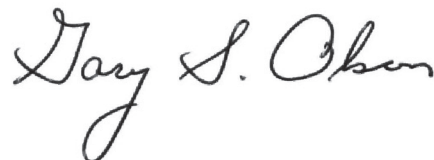
This demands an entrepreneurial environment dedicated to ensuring the products and services we offer through all our customer touchpoints keep pace with this new emerging world.

We continue to enhance the Bank's website, providing important educational tools to build customers' financial knowledge, offer guidelines to help them bank safely and securely, utilize mobile devices for banking, and access ESSA's diverse capabilities. Through ESSA University and video presentations, our website offers individuals and businesses the opportunity to chart a cogent financial course. The website and mobile applications provide convenient portals for customers to initiate the mortgage process, inquire about ESSA's retail and commercial banking services and capabilities, and reach out to ESSA banking professionals, who are just an email, text, or phone call away.

We evolved our hybrid work model and believe that some remote positions will become more prevalent in the future.

The events of 2021 tested our resilience and determination. We more than met those challenges, maintaining positive momentum entering 2022. We are positioned to continue growing and building value for customers and shareholders.

Sincerely,



Gary S. Olson, President & CEO

# Consolidated Financial Highlights

The following information is derived from the audited Consolidated Financial Statements of ESSA Bancorp, Inc. For additional information, reference is made to "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements of ESSA Bancorp, Inc. and related notes included in Form 10-K as filed with the Securities and Exchange Commission.

## Selected Balance Sheet Data (Years ended September 30; data in thousands)

	2021	2020	2019	2018	2017
<b>Total assets</b>	<b>\$1,861,436</b>	\$1,893,515	\$1,799,427	\$1,833,790	\$1,785,218
<b>Investment securities: Available for sale</b>	<b>240,581</b>	212,484	313,393	371,438	390,452
<b>Loans, net</b>	<b>1,340,853</b>	1,417,974	1,328,653	1,305,071	1,236,681
<b>Deposits</b>	<b>1,636,115</b>	1,543,696	1,342,830	1,336,855	1,274,861
<b>Borrowed funds</b>	<b>–</b>	125,877	248,282	298,496	311,614
<b>Equity</b>	<b>201,822</b>	191,397	189,508	179,186	182,727

## Selected Operations Data (Years ended September 30; data in thousands)

	2021	2020	2019	2018	2017
<b>Net interest income</b>	<b>\$52,894</b>	\$48,207	\$47,010	\$48,235	\$45,519
<b>Provision for loan losses</b>	<b>2,700</b>	3,275	2,076	4,000	3,350
<b>Net interest income after provision for loan losses</b>	<b>50,194</b>	44,932	44,934	44,235	42,169
<b>Noninterest income</b>	<b>11,493</b>	13,255	8,157	7,813	8,199
<b>Noninterest expense</b>	<b>41,790</b>	40,588	38,053	39,853	41,438
<b>Income before income tax expense</b>	<b>19,897</b>	17,599	15,038	12,195	8,930
<b>Income tax expense</b>	<b>3,473</b>	3,183	2,415	5,664	1,591
<b>Net income</b>	<b>\$16,424</b>	\$14,416	\$12,623	\$6,531	\$7,339
<b>Earnings per share: Basic</b>	<b>\$1.65</b>	\$1.39	\$1.18	\$0.60	\$0.69
<b>Diluted</b>	<b>\$1.65</b>	\$1.39	\$1.18	\$0.60	\$0.69

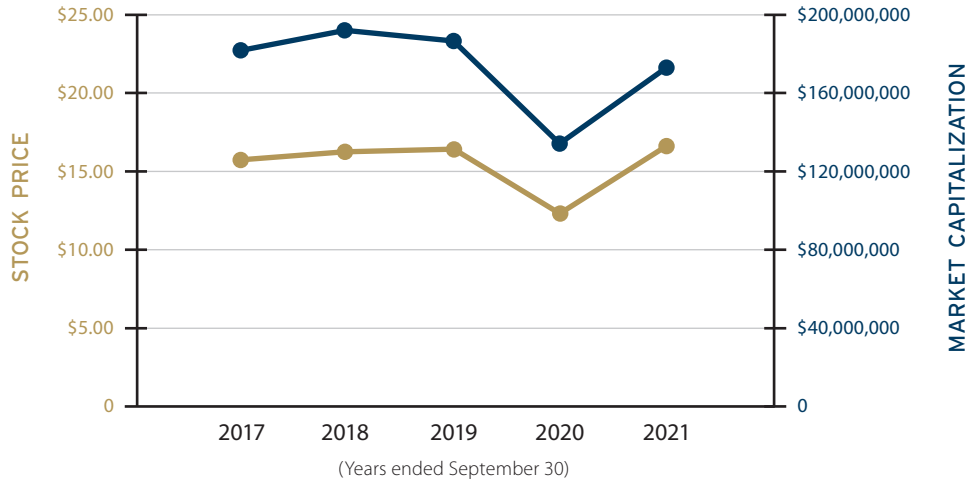
## Selected Other Data (Years ended September 30)

	2021	2020	2019	2018	2017
<b>Return on average assets</b>	<b>0.87%</b>	0.76%	0.69%	0.36%	0.42%
<b>Return on average equity</b>	<b>8.28%</b>	7.43%	6.80%	3.61%	4.11%
<b>Interest rate spread<sup>(1)</sup></b>	<b>2.86%</b>	2.49%	2.50%	2.71%	2.69%
<b>Net interest margin<sup>(2)</sup></b>	<b>2.96%</b>	2.68%	2.73%	2.85%	2.77%
<b>Nonperforming assets as a percentage of total assets</b>	<b>0.88%</b>	1.09%	0.57%	0.64%	0.88%
<b>Tier 1 core capital (to adjusted tangible assets)</b>	<b>10.05%</b>	9.08%	9.67%	9.28%	9.19%

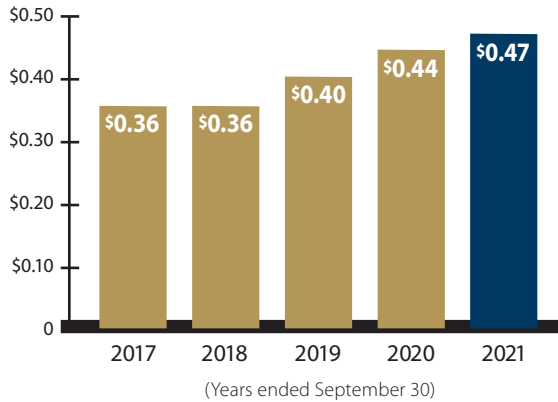
(1) The interest rate spread represents the difference between the weighted-average yield on a fully tax-equivalent basis on interest-earning assets and the weighted-average cost of interest-bearing liabilities for the year.

(2) The net interest margin represents net interest income on a fully tax-equivalent basis as a percent of average interest-earning assets for the year.

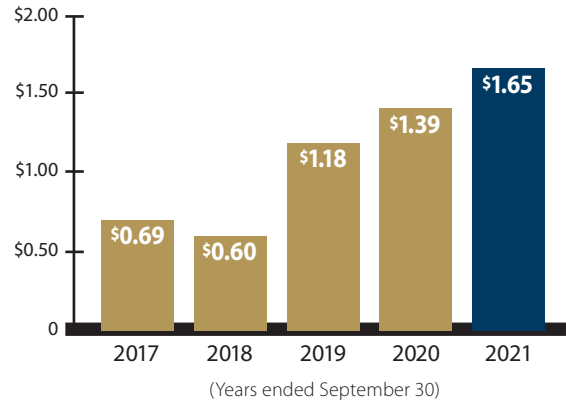
### Stock Price & Market Capitalization



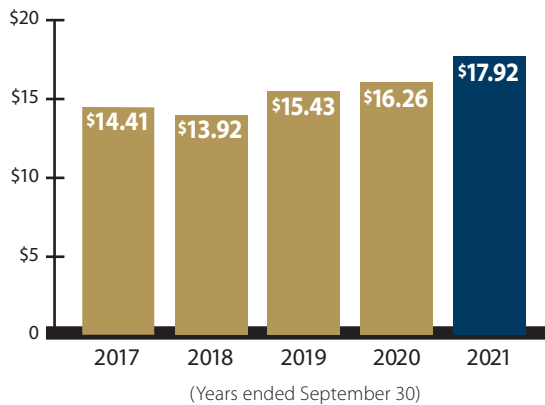
### Dividends per Share



### Earnings per Share (Diluted)

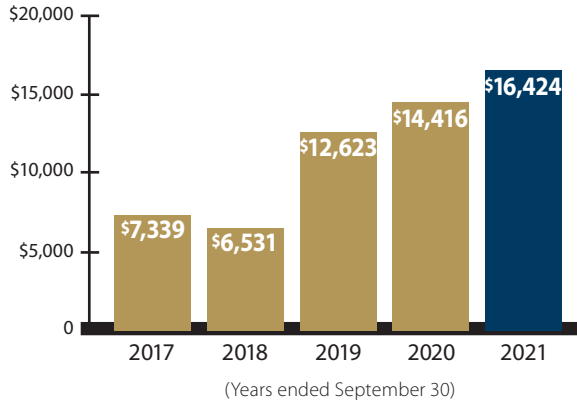


### Tangible Book Value (Per Share)

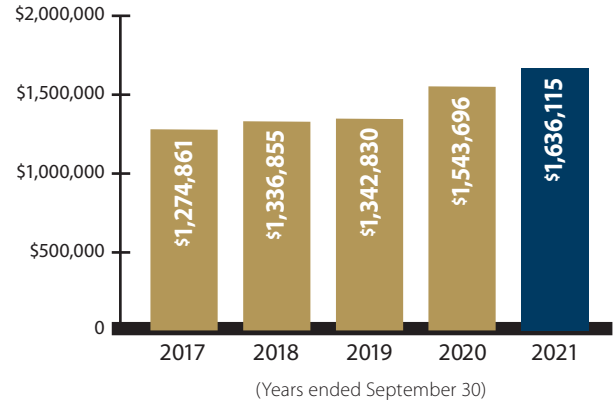


# Consolidated Financial Highlights (cont'd)

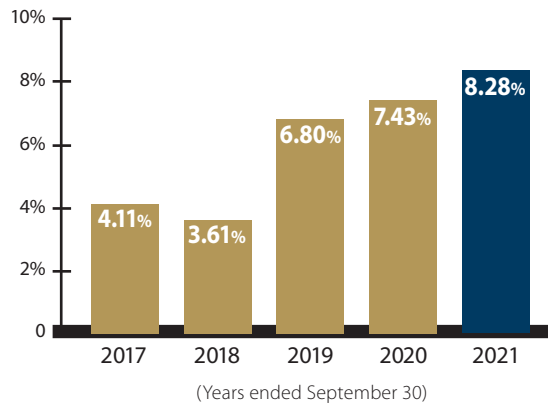
**Net Income** (in Thousands)



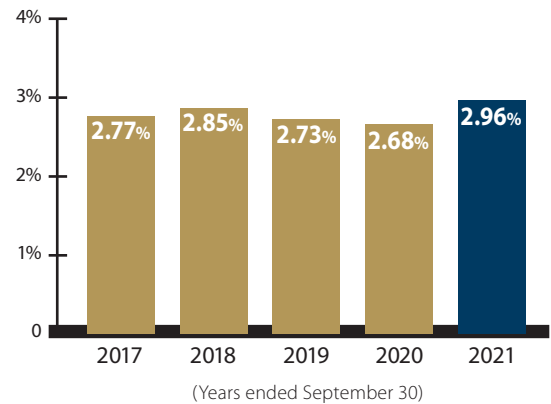
**Deposits** (in Thousands)



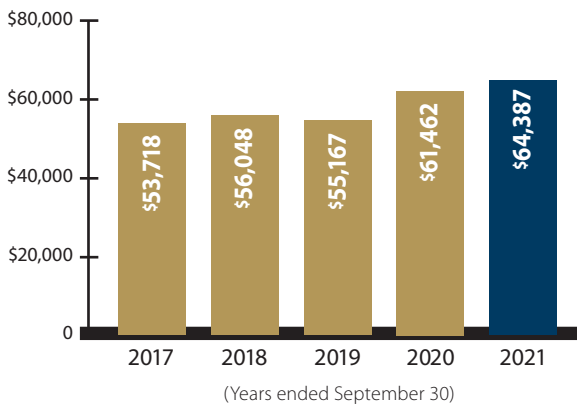
**Return on Average Equity**



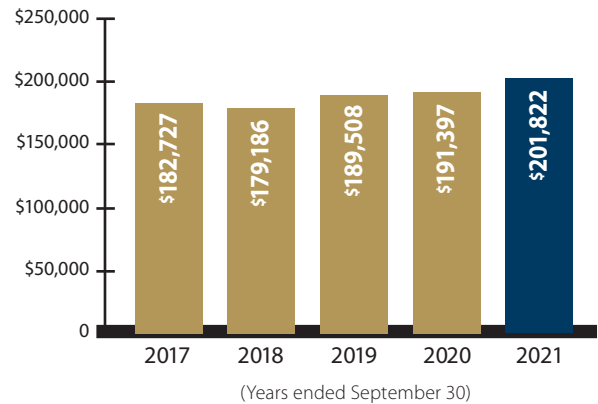
**Net Interest Margin**



**Revenue\*** (in Thousands)



**Stockholders' Equity** (in Thousands)



\*Net interest income plus noninterest income.



# Executive Personnel

## BOARD OF DIRECTORS & GENERAL COUNSEL

**Robert C. Selig, Jr.**  
Chairman of the Board  
President - Selig Construction Company

**Joseph S. Durkin**  
Executive Vice President -  
Reilly Associates

**Christine D. Gordon, Esq.**  
Chief Compliance Officer -  
Olympus Corporation of the Americas

**Daniel J. Henning**  
President - A.C. Henning  
Enterprises, Inc.

**Philip H. Hosbach IV**  
Vice President, Global Public  
Affairs for Vaccines - Sanofi Pasteur  
(retired)

**Gary S. Olson**  
President & CEO - ESSA Bank & Trust

**Dr. Tina Q. Richardson**  
Chancellor, Penn State University  
Lehigh Valley

**Carolyn P. Stennett, Esq.**  
Vice President, Human Resources -  
Victaulic Company

**Elizabeth Bensinger  
Weekes, Esq.**

Partner - Bensinger & Weekes, PA

**James V. Fareri, Esq.**  
General Counsel

**John E. Burrus**  
Director Emeritus

**William P. Douglass**  
Director Emeritus

**Frederick E. Kutteroff**  
Director Emeritus

**John S. Schoonover, Jr.**  
Director Emeritus

**William A. Viechnicki, D.D.S.**  
Director Emeritus

## OFFICERS

**Gary S. Olson**  
President & CEO

**Allan A. Muto**  
Executive Vice President & CFO

**Peter A. Gray**  
Senior Executive Vice President & COO

**Robert L. Selitto**  
Senior Vice President & Controller

**Stephanie Lefferson**  
Corporate Secretary,  
Investor & Community Relations

**Charles D. Hangen**  
Executive Vice President & CRO

**Thomas J. Grayuski**  
Senior Vice President,  
Human Resources Division

## CORPORATE HEADQUARTERS

ESSA Bancorp, Inc.  
200 Palmer Street  
Stroudsburg, PA 18360

**Mailing Address**  
P.O. Box L  
Stroudsburg, PA 18360

**Auditors**  
S.R. Snodgrass, P.C.  
2009 Mackenzie Way, Suite 340  
Cranberry Township, PA 16066

**General Counsel**  
Newman, Williams, Mishkin,  
Corveleyn, Wolfe & Fareri, P.C.  
712 Monroe Street  
Stroudsburg, PA 18360

# Mission Statement

*ESSA Bank & Trust will be the leading service-oriented community financial institution offering a full range of financial products to greater Eastern Pennsylvania customers. We will ensure our long-term prosperity by providing products and service in a manner consistent with high standards of quality, on a profitable basis, at the fairest price, in order to create the best possible value for our customers. They will be delivered through distribution systems staffed and supported by customer-driven, friendly, productive employees with a high degree of integrity.*



## OUR GUIDING PRINCIPLES

**There are five Guiding Principles on which our Mission Statement is based:**

We believe in long-term success, operating as a safe, sound, and stable institution. Long-term success is dependent upon profits, but never will profit-seeking compromise our mission.

We believe in satisfying the wants and needs of our customers. Satisfaction is dependent upon a continual improvement of our service, products, systems, and operations.

We believe our employees are our most valuable asset. Our employees will be provided with a work environment which is "the best in town."

We believe our decisions should enhance ESSA's value. Enhanced value is achieved through quality earnings, growth, and strong management practices.

We believe in supporting our community through employee volunteering and charitable giving to improve the quality of life. The ESSA Bank & Trust Foundation has been established to support this principle.

## ESSA CODE OF ETHICS & CONFLICT OF INTEREST POLICY

The ESSA Bancorp, Inc. Board of Directors has approved an Insider Code of Ethics and Conflict of Interest policy. This policy provides Directors and employees with specific guidance promoting honest and ethical conduct and deterring wrongdoing.

Our policy may be found on our website at [essabank.com](http://essabank.com).

## ADDITIONAL SERVICES

- Asset Management & Trust Services
- ESSA Advisory Services\*
- ESSA Investment Services\*\*

\*ESSA Advisory Services, LLC is a subsidiary of ESSA Bank & Trust. Products and services offered by ESSA Advisory Services, LLC and ESSA Asset Management & Trust are: Not FDIC insured • May lose value • Not guaranteed by ESSA Bank & Trust • Not a deposit • Not insured by any federal government agency.

\*\*Investments are: Not Federally Insured | No Financial Institution Guarantee | May Lose Value. Ameriprise Financial is not affiliated with the financial institution where investment services are offered. Investment advisory products and services are made available through Ameriprise Financial Services, LLC, a registered investment adviser. Securities and insurance products offered through Ameriprise Financial Services, LLC, member FINRA and SIPC.

# Corporate Information

## STOCK LISTING

ESSA Bancorp, Inc. common stock is listed on the NASDAQ Global Market<sup>SM</sup> under the symbol "ESSA."

## INTERNET INFORMATION

ESSA Bancorp, Inc. financial reports and information about the products and services of its wholly owned subsidiary, ESSA Bank & Trust, are available at [essabank.com](http://essabank.com).

## FINANCIAL INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934. Therefore, we file annual, quarterly, and current reports as well as proxy materials with the Securities and Exchange Commission (SEC). You can obtain copies of these and other filings, including exhibits, electronically at the SEC's website at [sec.gov](http://sec.gov) or through the ESSA website at [essabank.com](http://essabank.com) by clicking on the Investor Relations link. Copies of our Annual Report and Form 10-K may also be obtained by contacting Investor Relations at **570-422-0182** or via email at [slefferson@essabank.com](mailto:slefferson@essabank.com).

## CORPORATE GOVERNANCE

Information about our Board and its committees and about corporate governance at ESSA is available in the Governance Documents section of the Investor Relations link on the ESSA website at [essabank.com](http://essabank.com). Shareholders who would like to request printed copies of the Code of Ethics or the charters of our Board's Nominating and Corporate Governance, Audit, and Compensation committees (all of which are posted on the ESSA website through the Investor Relations link) may do so by sending their requests in writing to Stephanie Lefferson, Corporate Secretary, Investor and Community Relations, at corporate headquarters at P.O. Box L, Stroudsburg, PA 18360.

## INQUIRIES

Individual investors should contact Stephanie Lefferson, Corporate Secretary, Investor and Community Relations, at **570-422-0182** or via email at [slefferson@essabank.com](mailto:slefferson@essabank.com).

Analysts and institutional investors should contact Allan Muto, Executive Vice President

and CFO, at **570-422-0181** or via email at [amuto@essabank.com](mailto:amuto@essabank.com).

News media representatives and others seeking general information should contact Peter A. Gray, Senior Executive Vice President and COO, at **570-422-0198** or via email at [pgray@essabank.com](mailto:pgray@essabank.com).

## ANNUAL SHAREHOLDERS' MEETING

All eligible shareholders are invited to attend the ESSA Bancorp, Inc. annual meeting on Thursday, March 3, 2022, at 10 a.m. The meeting will be held virtually at [meetnow.global/M9L2SXM](https://meetnow.global/M9L2SXM).

## REGISTRAR & TRANSFER AGENT

Computershare, Inc.  
P.O. Box 505000  
Louisville, KY 40233-5000  
800-368-5948  
[computershare.com/investor](http://computershare.com/investor)

## SPECIAL COUNSEL

Luse Gorman, PC  
5335 Wisconsin Avenue, N.W., Suite 780  
Washington, DC 20015

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## FORWARD-LOOKING STATEMENTS

Certain statements contained herein are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements may be identified by reference to a future period or periods, or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "estimate," "anticipate," "continue," or similar terms or variations on those terms, or the negative of those terms. Forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, those related to the economic environment, particularly in the market areas in which the Company operates, competitive products and pricing, fiscal and monetary policies of the U.S. Government, changes in government regulations affecting financial institutions, including compliance costs and capital requirements, changes in prevailing interest rates, acquisitions and the integration of acquired businesses, credit risk management, asset-liability management, the financial and securities markets and the availability of and costs associated with sources of liquidity, and the Risk Factors disclosed in our annual and quarterly reports. In addition, the COVID-19 pandemic continues to have an adverse impact on the Company, its customers, and the communities it serves. The adverse effect of the COVID-19 pandemic on the Company, its customers, and the communities where it operates will continue to adversely affect the Company's business, results of operations, and financial condition for an indefinite period of time.

The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company wishes to advise readers that the factors listed above could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements. The Company does not undertake and specifically declines any obligation to publicly release the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.



Serving  
customers in  
**Eastern  
Pennsylvania  
regions**

through  
**digital  
banking  
services**

and a  
**strategic  
branch  
footprint.**



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[essabank.com](http://essabank.com)