SECURITIES AND EXCHANGE COMMISSION

100 F Street NE
Washington, D.C. 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 September 30, 2021

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. 001-33384

ESSA Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania **(State or other jurisdiction of incorporation or organization)**	**20-8023072** **(I.R.S. Employer Identification Number)**
200 Palmer Street, Stroudsburg, Pennsylvania **(Address of Principal Executive Offices)**	**18360** **(Zip Code)**

(570) 421-0531
(Registrant's telephone number)

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, $0.01 par value	**ESSA**	**The NASDAQ Stock Market, LLC**

Securities Registered Pursuant to Section 12(g) of the Act: None

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 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 twelve months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such 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, 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	☒
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. ☐

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 December 7, 2021, there were 18,133,095 shares issued and 10,490,831 shares outstanding of the Registrant's Common Stock.

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, computed by reference to the last sale price on March 31, 2021, was $158,636,768.

DOCUMENTS INCORPORATED BY REFERENCE

- Proxy Statement for the 2021 Annual Meeting of Stockholders of the Registrant (Part III).

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Forward Looking Statements

This Annual Report on Form 10-K contains certain “forward-looking statements” which may be identified by the use of words such as “believe,” “expect,” “anticipate,” “should,” “planned,” “estimated” and “potential.” Examples of forward-looking statements include, but are not limited to, estimates with respect to our financial condition, results of operations and business that are subject to various factors which could cause actual results to differ materially from these estimates and most other statements that are not historical in nature. These factors include, but are not limited to, the continuing global coronavirus pandemic, general and local economic conditions, changes in interest rates, inflation, deposit flows, demand for mortgage, and other loans, real estate values, competition, changes in accounting principles, policies, or guidelines, changes in legislation or regulation, and other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services and the ability to successfully complete or close transactions or to integrate acquired entities. Because of these and a wide variety of other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. Please also see “Item 1A. Risk Factors.”

PART I

Item 1. Business

ESSA Bancorp, Inc.

ESSA Bancorp, Inc. ("ESSA Bancorp" or the "Company") is a Pennsylvania-chartered holding company for ESSA Bank & Trust (the "Bank"). ESSA Bancorp owns 100% of the outstanding shares of common stock of the Bank. Since being formed in 2006, ESSA Bancorp has engaged primarily in the business of holding the common stock of the Bank. Our executive offices are located at 200 Palmer Street, Stroudsburg, Pennsylvania 18360. Our telephone number at this address is (570) 421-0531. ESSA Bancorp is subject to comprehensive regulation and examination by the Federal Reserve Board of Governors. At September 30, 2021, ESSA Bancorp had consolidated assets of $1.9 billion, consolidated deposits of $1.6 billion and consolidated stockholders' equity of $201.8 million. Consolidated net income for the fiscal year ended September 30, 2021 was $16.4 million.

The Company is a public company, and files interim, quarterly and annual reports with the Securities and Exchange Commission ("SEC"). The SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers such as the Company that file electronically with the SEC. All filed SEC reports and interim filings can also be obtained from the Bank's website (www.essabank.com), on the "Investor Relations" page, without charge from the Company. Information on the Company's website is not and should not be considered a part of this Annual Report on Form 10-K.

ESSA Bank & Trust

General

The Bank was organized in 1916. The Bank is a Pennsylvania chartered full-service, community-oriented savings bank. We provide financial services to individuals, families and businesses through our 21 community offices, located in Monroe, Northampton, Lehigh, Lackawanna, Luzerne, Chester, Delaware and Montgomery Counties, Pennsylvania. The Bank is subject to comprehensive regulation and examination by the Pennsylvania Department of Banking and Securities and the Federal Deposit Insurance Corporation. In March 2014, the Bank converted its charter from a Pennsylvania savings and loan association to a Pennsylvania savings bank. The charter change did not have a material effect on the operations of the Bank.

The Bank's business consists primarily of accepting deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, in residential first mortgage loans (including construction mortgage loans), commercial real estate loans, home equity loans and lines of credit and commercial and industrial loans. We offer a variety of deposit accounts, including checking, savings and certificates of deposits. We also offer asset management and trust services. We offer investment services through our relationship with Ameriprise Financial Services, LLC, a third-party broker/dealer and registered investment advisor. We offer insurance benefit consulting services through our wholly owned subsidiary, ESSA Advisory Services, LLC.

The Bank's executive offices are located at 200 Palmer Street, Stroudsburg, Pennsylvania 18360. Our telephone number at this address is (570) 421-0531. Our website address is www.essabank.com.

Market Area

At September 30, 2021, our 21 community offices consisted of seven offices in Monroe County, three offices in Lehigh County, five offices in Northampton County, one office in Lackawanna County, one office in Luzerne County, one office in Chester County, two offices in Delaware County and one office in Montgomery County, Pennsylvania. Our primary market for deposits is currently concentrated around the areas where our full-service banking offices are located. Our primary lending area consists of the counties where our branch offices are located, and to a lesser extent, the contiguous counties in the Commonwealth of Pennsylvania.

Monroe County is located in eastern Pennsylvania, situated 90 miles north of Philadelphia, 75 miles west of New York and 116 miles northeast of Harrisburg. Monroe County is comprised of 611 square miles of mostly rural terrain. Major industries include tourism, healthcare and educational facilities. Northampton County is located south of Monroe County and directly borders New Jersey. Lehigh County is located southwest of Monroe County. Luzerne and Lackawanna Counties are located north of Monroe County. Chester and Montgomery Counties are located south and Delaware County southwest of Monroe County. As of June 30, 2021, the most recent FDIC market share data available, we had a deposit market share of approximately 26.1% in Monroe County, which represented the largest deposit market share in Monroe County, 2.6% in Northampton County, 1.8% in Lehigh County, 0.3% in Lackawanna County, 0.7% in Luzerne County, 0.1% in Chester County, 0.1% in Montgomery County and 0.5% in Delaware County.

Lending Activities

Historically, our principal lending activity had been the origination of first mortgage loans for the purchase, construction or refinancing of one- to four-family residential real estate property. For years, we have been increasing our originations of commercial loans and commercial real estate loans in an effort to increase interest income, diversify our loan portfolio, and better serve the community. Commercial real estate loans have increased from $480.6 million or 35.8% of our total loan portfolio at September 30, 2019 to $591.1 million, or 43.4%, of our total loan portfolio at September 30, 2021. One- to four-family residential real estate mortgage loans represented $580.3 million, or 42.7% of our loan portfolio at September 30, 2021. Home equity loans and lines of credit totaled $38.4 million, or 2.8%, of our loan portfolio at September 30, 2021. Commercial loans totaled $63.5 million, or 4.7%, of our loan portfolio at September 30, 2021 and construction first mortgage loans totaled $14.0 million, or 1.0%, of the total loan portfolio at September 30, 2021. Commercial loans include approximately $22.6 million in Paycheck Protection Program ("PPP") loans which provide relief to small businesses affected by the pandemic. Obligations of states and political subdivisions totaled $56.2 million, or 4.1%, of our loan portfolio at September 30, 2021. Auto loans totaled $13.9 million or 1.0% of the total loan portfolio at September 30, 2021. As previously disclosed, the Bank discontinued originating indirect auto loans in July 2018. We originate other consumer loans on a limited basis.

Loan Portfolio Composition. The following table sets forth the composition of our loan portfolio, by type of loan at the dates indicated, excluding loans held for sale.

	At September 30,					
	2021		2020		2019	
	Amount	Percent	Amount	Percent	Amount	Percent
			(Dollars in thousands)			
Residential first mortgage loans:						
One- to four-family	$ 580,313	42.7%	$ 610,172	42.6%	$ 597,514	44.6%
Construction	14,013	1.0	11,853	0.8	5,672	0.4
Commercial	63,500	4.7	139,603	9.7	55,559	4.1
Commercial real estate	591,117	43.4	509,628	35.5	480,647	35.8
Obligations of states and political subdivisions	56,164	4.1	79,230	5.5	71,828	5.4
Home equity loans and lines of credit	38,426	2.8	40,800	2.8	45,156	3.4
Auto loans	13,852	1.0	39,795	2.8	81,983	6.1
Other	1,581	0.2	2,293	0.2	2,924	0.2
Total loans receivable	$1,358,966	100.0%	$1,433,374	100.0%	$1,341,283	100.0%
Allowance for loan losses	(18,113)		(15,400)		(12,630)	
Total loans receivable, net	$1,340,853		$1,417,974		$1,328,653	

Loan Portfolio Maturities. The following table summarizes the scheduled repayments of our loan portfolio at September 30, 2021. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less.

	One-to four-family	Construction	Commercial	Commercial Real Estate
		(Dollars in thousands)		
Due During the Years Ending September 30,				
2022	$ 663	$ -	$ 11,434	$ 63,735
2023	2,131	-	6,090	24,922
2024	3,720	-	3,666	34,354
2025 to 2026	17,643	-	28,725	96,110
2027 to 2031	71,998	-	6,020	224,524
2032 to 2036	136,378	24	5,039	62,983
2037 and beyond	347,780	13,989	2,526	84,489
Total	$ 580,313	$ 14,013	$ 63,500	$ 591,117

	Obligations of States and Political subdivisions	Home Equity Loans and Lines of Credit	Auto Loans	Other	Total
		(Dollars in thousands)			
Due During the Years Ending September 30,					
2022	$ 2,008	$ 427	$ 2,833	$ 62	$ 81,162
2023	509	774	5,970	164	40,560
2024	65	860	4,850	406	47,921
2025 to 2026	3,104	2,522	109	433	148,646
2027 to 2031	14,886	6,207	-	199	323,834
2032 to 2036	7,097	9,365	-	142	221,028
2037 and beyond	28,495	18,271	90	175	495,815
Total	$ 56,164	$ 38,426	$ 13,852	$ 1,581	$1,358,966

The following table sets forth the scheduled repayments of fixed- and adjustable-rate loans at September 30, 2021 that are contractually due after September 30, 2022.

	Due After September 30, 2022		
	Fixed	Adjustable	Total
		(In thousands)	
Residential first mortgage loans:			
One- to four-family	$ 562,634	$ 17,016	$ 579,650
Construction	14,013	-	14,013
Commercial	37,368	14,698	52,066
Commercial real estate	292,635	234,747	527,382
Obligations of states and political subdivisions	16,570	37,586	54,156
Home equity loans and lines of credit	14,878	23,121	37,999
Auto loans	11,019	-	11,019
Other	1,518	1	1,519
Total	$ 950,635	$ 327,169	$ 1,277,804

Loan Originations and Repayments. We originate residential mortgage loans pursuant to underwriting standards that generally conform to Fannie Mae and Freddie Mac guidelines. Loan origination activities are primarily concentrated in Monroe, Northampton, Lehigh, Lackawanna, Luzerne, Chester, Delaware, and Montgomery Counties, Pennsylvania and secondarily in other Pennsylvania counties contiguous to our primary market area. New loans are generated primarily from the efforts of employees and advertising, a network of select mortgage brokers, other parties with whom we do business, customer referrals, and from walk-in customers. Loan applications are centrally underwritten and processed at our corporate center. At September 30, 2021, $580.3 million, or 42.7%, of our loan portfolio, consisted of one- to four-family residential loans. Generally, one- to four-family residential mortgage loans are originated in amounts up to 80% of the lesser of the appraised value or purchase price of the property, although loans may be made with higher loan-to-value ratios. Private mortgage insurance is required to compensate for the risk. Fixed-rate loans are originated for terms of 10, 15, 20 and 30 years. At September 30, 2021, our largest loan secured by one- to four-family real estate had a principal balance of approximately $1.8 million and was secured by a single-family house. This loan was performing in accordance with its repayment terms.

We also offer adjustable-rate mortgage loans which have initial fixed terms of one, three, five or seven-years before converting to an annual adjustment schedule based on changes in a designated United States Treasury index. We originated $642,000 in adjustable rate one- to four-family residential loans during the year ended September 30, 2021 and did not originate any during the year ended September 30, 2020. Our adjustable rate mortgage loans provide for maximum rate adjustments of 200 basis points per adjustment, with a lifetime maximum adjustment of 500 basis points. Our adjustable rate mortgage loans amortize over terms of up to 30 years.

Adjustable rate mortgage loans decrease the risk associated with changes in market interest rates by periodically repricing but involve other risks. As interest rates increase, the principal and interest payments on the loan increase, thus increasing the potential for default by the borrower. At the same time, the marketability of the underlying collateral may be adversely affected by higher interest rates. Adjustment of the contractual interest rate is limited by the periodic and lifetime interest rate adjustments specified by our loan documents and therefore, is potentially limited in effectiveness during periods of rapidly rising interest rates. At September 30, 2021, $17.0 million, or 2.9%, of our one- to four-family residential loans had adjustable rates of interest.

All one- to four-family residential mortgage loans that we originate include a "due-on-sale" clause, which provides the right to declare a loan immediately due and payable in the event that the borrower sells or otherwise conveys title to the real property subject to the mortgage and the loan is not repaid.

Regulations limit the amount that a savings bank may lend relative to the value of the real estate securing the loan, as determined by an appraisal of the property at the time the loan is originated. For all purchase money loans, we utilize outside independent appraisers approved in accordance with the Bank's appraisal policy. All purchase money and most refinance loans require a lender's title insurance policy. Certain modest refinance requests may utilize an exterior inspection report and title search. We also require fire and casualty insurance and, where circumstances warrant, flood insurance.

Home Equity Loans and Lines of Credit. Home equity loans and lines of credit are generated by our loan originators. Eligible properties include primary and vacation homes located in Monroe, Northampton, Lackawanna, Luzerne, Lehigh, Chester, Delaware, and Montgomery Counties, Pennsylvania and secondarily in other Pennsylvania counties contiguous to our primary market area. As of September 30, 2021, home equity loans and lines of credit totaled about $38.4 million, or 2.8% of our loan portfolio.

The maximum combined loan-to-value originated is generally 80% although a maximum of 85% is permitted with more restrictive underwriting parameters depending on the collateral. There is a small portion of the portfolio originated in years past that contains original combined loan-to-values of up to 90%. Our home equity lines of credit typically feature a 10-year draw period with interest-only payments permitted, followed by another 20 years of fully amortizing payments with no further ability to draw funds. Similar combined loan-to-value characteristics and standards exist for the lines as are outlined above for the loans.

Loan underwriting standards limit the maximum size of a junior lien loan to between $100,000 and $500,000, depending on the loan type and collateral. All loans exceeding 75% of value require an appraisal by bank-approved, licensed appraisers. Loans up to $25,000 with lesser loan-to-value ratios may utilize an automated valuation model. Title/lien searches are secured on all home equity loans and lines.

Commercial Real Estate Loans. At September 30, 2021, $591.1 million, or 43.4%, of our total loan portfolio consisted of commercial real estate loans. Commercial real estate loans are secured by office and industrial buildings, multi-family, mixed-use properties and other commercial properties. We generally originate fixed rate commercial real estate loans with an initial term of five to seven years and a repricing option, and a maximum term of up to 25 years. The maximum loan-to-value ratio for most commercial real estate loans is 75% to 80%. At September 30, 2021, our largest commercial real estate relationship balance was $15.7 million, which was performing in accordance with its terms.

We consider a number of factors in originating commercial real estate loans. We evaluate the qualifications and financial condition of the borrower, including credit history, profitability and expertise, as well as the value and condition of the mortgaged property securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, the factors we consider include the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value of the mortgaged property and the debt service coverage ratio (the ratio of net operating income to debt service) to ensure that it is at least 120% of the monthly debt service. All commercial real estate loans in excess of $500,000 are appraised by outside independent appraisers approved in accordance with the Bank's Appraisal Policy. Personal guarantees are obtained from commercial real estate borrowers although we may occasionally waive this requirement given very strong loan to value and debt service coverage ratios. All purchase money and most asset refinance borrowers are required to obtain title insurance. We also require fire and casualty insurance and, where circumstances warrant, flood insurance.

Loans secured by commercial real estate generally are considered to present greater risk than one- to four-family residential loans. Commercial real estate loans often involve large loan balances to single borrowers or groups of related borrowers. Repayment of these loans depends to a large degree on the results of operations and management of the properties securing the loans or the businesses conducted on such property and may be affected to a greater extent by adverse conditions in the real estate market or the economy in general. Accordingly, the nature of these loans makes them more difficult for management to monitor and evaluate.

First Mortgage Construction Loans. At September 30, 2021, $14.0 million, or 1.0%, of our total loan portfolio consisted of first mortgage construction loans. Our first mortgage construction loans are for the construction of residential properties. We currently offer fixed- and adjustable-rate residential first mortgage construction loans. First mortgage construction loans are generally structured for permanent mortgage financing once the construction is completed. At September 30, 2021, our largest first mortgage construction loan balance was $1.0 million. The loan was performing in accordance with its terms. First mortgage construction loans will generally be made in amounts of up to 80% of the appraised value of the completed property, or the actual cost of the improvements. First mortgage construction loans require only the payment of interest during the construction period. Once converted to permanent financing, they generally repay over a 30-year period. Funds are disbursed based on our inspections in accordance with a schedule reflecting the completion of portions of the project.

First mortgage construction loans generally involve a greater degree of credit risk than other one- to four-family residential mortgage loans. The risk of loss on a construction loan depends, in part, upon the accuracy of the initial estimate of the value of the property at completion of construction compared to the estimated cost of construction and the successful completion of construction within budget.

For all such loans, we utilize outside independent appraisers approved in accordance with the Bank's Appraisal Policy. All borrowers are required to obtain title insurance. We also require fire and casualty insurance and, where circumstances warrant, flood insurance on properties.

Commercial Loans. At September 30, 2021, $63.5 million, or 4.7%, of our loan portfolio, consisted of commercial loans. We generally offer commercial loans to businesses located in our primary market area. The commercial loan portfolio includes lines of credit, equipment loans, vehicle loans, improvement loans and term loans. These loans are primarily secured by vehicles, machinery and equipment, inventory, accounts receivable, marketable securities, deposit accounts and real estate. Commercial loans include approximately $22.6 million in PPP loans which provide relief to small businesses affected by the pandemic.

Obligations of States and Political Subdivisions. At September 30, 2021, $56.2 million, or 4.1%, of our total loan portfolio consisted of loan transactions including tax and revenue anticipation notes, general obligation notes, and authority general revenue notes. The financial strength of the state or political subdivision, type of transaction, relationship efforts, and profitability of return are considered when pricing and structuring each transaction.

Auto Loans. At September 30, 2021, $13.9 million, or 1.0%, of our total loan portfolio consisted of auto loans. Although collateralized, these loans require stringent underwriting standards and procedures. Each loan decision is based primarily on the credit history of the individual(s) and their ability to repay the loan. Collision and comprehensive insurance is required and the Bank must be listed as the loss payee. As previously disclosed, the Bank discontinued originating indirect auto loans in July 2018.

Indirect auto loans are inherently risky as they are often secured by assets that depreciate rapidly. In some cases, repossessed collateral for a defaulted automobile loan may not provide an adequate source of repayment for the outstanding loan and the remaining deficiency may not warrant further substantial collection efforts against the borrower. Automobile 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.

Other Loans. We offer a variety of loans that are either unsecured or secured by property other than real estate. These loans include loans secured by deposits and personal unsecured loans. At September 30, 2021, these other loans totaled $1.6 million, or 0.2%, of the total loan portfolio.

Loan Approval Procedures and Authority. The loan approval process is intended to assess the borrower's ability to repay the loan, the viability of the loan, and the adequacy of the value of the property that will secure the loan. To assess the borrower's ability to repay, we review each borrower's employment and credit history and information on the historical and projected income and expenses of the borrower. For all loans the Board has established a lending authority policy. Larger and more complex loan requests require the involvement of senior management or the Board.

Non-Performing Loans and Problem Assets

Performance of the loan portfolio is reviewed on a regular basis by Bank management. A number of factors regarding the borrower, such as overall financial strength, collateral values and repayment ability, are considered in deciding what actions should be taken when determining the collectability of interest for accrual purposes.

When a loan, including a loan that is impaired, is classified as nonaccrual, the accrual of interest on such a loan is discontinued. A loan is typically 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, 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 accrued interest is fully reversed. Interest payments received on nonaccrual loans are either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal.

Loans are usually restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time, and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Non-performing Loans. At September 30, 2021, $15.9 million, or 1.17% of our total loans, were non-performing loans. The majority of these loans were commercial real estate loans and residential mortgage loans. Non-performing commercial real estate loans totaled $11.1 million at September 30, 2021. Two loans accounted for $8.8 million of the total non-accrual commercial real estate loans. Non-performing residential first mortgage loans totaled $2.9 million at September 30, 2021.

Real Estate Owned. At September 30, 2021, the Company had $461,000 of real estate owned consisting of eleven properties. These properties are being carried on the Company's books at fair value less estimated costs to sell. All these properties are being actively marketed and additional losses may occur.

Non-Performing Assets. The table below sets forth the amounts and categories of our non-performing assets at the dates indicated.

	At September 30,		
	2021	2020	2019
		(Dollars in thousands)	
Non-accrual loans:			
Residential first mortgage loans:			
One- to four-family	$ 2,865	$ 4,623	$ 4,607
Construction	-	-	-
Commercial	1,358	1,828	603
Commercial real estate	11,124	13,426	3,524
Home equity loans and lines of credit	463	219	622
Auto loans	43	223	666
Other	14	11	41
Total	15,867	20,330	10,063
Accruing loans 90 days or more past due:			
Residential first mortgage loans:			
One- to four-family	-	-	-
Construction	-	-	-
Commercial	-	-	-
Commercial real estate	-	-	-
Home equity loans and lines of credit	-	-	-
Auto Loans	-	-	-
Other	-	-	-
Total loans 90 days or more past due and accruing	-	-	-
Total non-performing loans	15,867	20,330	10,063
Real estate owned	461	269	240
Other repossessed assets	-	-	9
Total non-performing assets	$ 16,328	$ 20,599	$ 10,312
Troubled Debt Restructurings[(1)]:			
Residential first mortgage loans:			
One- to four-family	$ 1,235	$ 2,078	$ 2,068
Construction	-	-	-
Commercial	-	-	-
Commercial real estate	8,420	565	787
Home equity loans and lines of credit	44	51	207
Auto loans	14	26	43
Other	-	-	-
Total	$ 9,713	$ 2,720	$ 3,105
Ratios:			
Total non-performing loans to total loans	1.17%	1.42%	0.75%
Total non-performing loans to total assets	0.85%	1.07%	0.56%
Total non-performing assets to total assets	0.88%	1.09%	0.57%

(1) Non-performing troubled debt restructurings are included in non-accrual loans as part of the non-performing assets table.

For the years ended September 30, 2021, 2020 and 2019, gross interest income that would have been recorded had our non-accruing loans been current in accordance with their original terms was $182,000, $199,000 and $277,000 respectively.

At September 30, 2021, the principal balance of troubled debt restructurings (“TDRs”) was $9.7 million as compared to $2.7 million at September 30, 2020. All of the $9.7 million of TDRs at September 30, 2021 and $2.7 million at September 30, 2020 were non-accrual loans.

TDRs at September 30, 2021 were comprised of 11 residential loans totaling $1.2 million, seven commercial real estate loans totaling $8.4 million and four consumer loans (home equity loans, home equity lines of credit, auto and other) totaling $58,000.

For the year ended September 30, 2021, 13 loans totaling $1.0 million were removed from TDR status due to the completion of timely payments or paying off the balance.

We have modified terms of performing loans that do not meet the definition of a TDR. The vast majority of such loans were simply rate modifications of residential first mortgage loans in lieu of refinancing. The non-TDR rate modifications were all performing loans when the rates were reset to current market rates. For the year ended September 30, 2021, we modified 48 loans totaling $8.5 million that did not constitute troubled debt restructures. With regard to commercial loans, including commercial real estate loans, various non-troubled loans were modified, either for the purpose of a rate reduction to reflect current market rates (in lieu of a refinance) or the extension of a loan’s maturity date. In total we modified 22 commercial loans with an aggregate balance of approximately $30.3 million for the year ended September 30, 2021 that did not constitute troubled debt restructures. The Company has also granted pandemic-related forbearance for loans that are not defined as a TDR. Loans still in forbearance at September 30, 2021 included $30.6 million in commercial real estate, $374,000 in commercial and $140,000 in one-to four-family.

Delinquencies. The following table sets forth certain information with respect to our loan portfolio delinquencies at the dates indicated. Loans delinquent for 90 days or more are generally classified as nonaccrual loans.

	Loans Delinquent For											
	60-89 Days			90 Days and Over				Total				
	Number	Amount		Number	Amount			Number	Amount			
	(Dollars in thousands)											
At September 30, 2021												
Residential first mortgage loans:												
One- to four-family	8	$	580	26	$	1,744		34	$	2,324		
Construction	-		-	-		-		-		-		
Commercial	-		-	4		1,257		4		1,257		
Commercial real estate	-		-	4		2,350		4		2,350		
Obligations of states and political subdivisions	-		-	-		-		-		-		
Home equity loans and lines of credit	-		-	5		159		5		159		
Auto loans	4		5	-		-		4		5		
Other	-		-	2		9		2		9		
Total	12	$	585	41	$	5,519		53	$	6,104		
At September 30, 2020												
Residential first mortgage loans:												
One- to four-family	22	$	402	56	$	2,190		78	$	2,592		
Construction	-		-	-		-		-		-		
Commercial	1		65	16		984		17		1,049		
Commercial real estate	3		392	21		1,948		24		2,340		
Obligations of states and political subdivisions	-		-	-		-		-		-		
Home equity loans and lines of credit	2		-	9		168		11		168		
Auto loans	62		82	47		37		109		119		
Other	-		-	1		11		1		11		
Total	90	$	941	150	$	5,338		240	$	6,279		
At September 30, 2019												
Residential first mortgage loans:												
One- to four-family	3	$	266	35	$	2,659		38	$	2,925		
Construction	-		-	-		-		-		-		
Commercial	2		37	1		155		3		192		
Commercial real estate	-		-	2		92		2		92		
Obligations of states and political subdivisions	-		-	-		-		-		-		
Home equity loans and lines of credit	2		168	9		431		11		599		
Auto loans	17		200	29		152		46		352		
Other	-		-	3		30		3		30		
Total	24	$	671	79	$	3,519		103	$	4,190		

Classified Assets. Banking regulations and our Asset Classification Policy provide that loans and other assets considered to be of lesser quality should 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 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 close 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, thereby adversely affecting the repayment of the asset.

At September 30, 2021, the Company classified approximately $20.6 million of our assets as Special Mention, of which $20.3 million were commercial and commercial real estate loans, and $26.5 million as Substandard, of which $23.3 million were commercial and commercial real estate loans. No loans were classified Doubtful or Loss. At September 30, 2020, we classified approximately $15.7 million of our assets as Special Mention, of which $15.0 million were commercial and commercial real estate loans, and $17.3 million as Substandard, of which $16.9 million were commercial and commercial real estate loans. No loans were classified as Doubtful or Loss.

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 non-performing assets.

Allowance for Loan Losses

Our allowance for loan losses is maintained at a level necessary to absorb loan losses that are both probable and reasonably estimable. Management, in determining the allowance for loan losses, considers the losses inherent in its loan portfolio and changes in the nature and volume of loan activities, along with the general economic and real estate market conditions. Our allowance for loan losses consists of two elements: (1) an allocated allowance, which comprises allowances established on specific loans and class allowances based on historical loss experience and current trends, and (2) an unallocated allowance based on general economic conditions and other risk factors in our markets and portfolios. We maintain a loan review system, which allows for a periodic review (at least quarterly) of our loan portfolio and the early identification of potential impaired loans. Such system takes into consideration, among other things, delinquency status, size of loans, type and market value of collateral and financial condition of the borrowers. Specific loan loss allowances are established for identified losses based on a review of such information. A loan evaluated for impairment is considered to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. All loans identified as impaired are evaluated independently. We do not aggregate such loans for evaluation purposes. Loan impairment is measured based on the fair value of collateral method, taking into account the appraised value, any valuation assumptions used, estimated costs to sell and trends in the market since the appraisal date. General loan loss allowances are based upon a combination of factors including, but not limited to, actual loan loss experience, composition of the loan portfolio, current economic conditions, management's judgment and losses which are probable and reasonably estimable. In addition, for the twelve months ended September 30, 2021, consideration was given and a credit provision was recorded for loans granted short term payment relief. The allowance is increased through provisions charged against current earnings and recoveries of previously charged-off loans. Loans that are determined to be uncollectible are charged against the allowance. While management uses available information to recognize probable and reasonably estimable loan losses, future loss provisions may be necessary based on changing economic conditions. Payments received on impaired loans generally are either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. The allowance for loan losses as of September 30, 2021 is maintained at a level that represents management's best estimate of losses inherent in the loan portfolio, and such losses were both probable and reasonably estimable.

In addition, the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), the Federal Deposit Insurance Corporation ("FDIC") and the Pennsylvania Department of Banking and Securities, as an integral part of their examination process, periodically review our allowance for loan losses. The banking regulators may require that we recognize additions to the allowance based on their analysis and review of information available to them at the time of their examination.

The following table sets forth activity in our allowance for loan losses for the periods indicated.

	At or For the Years Ended September 30,		
	2021	2020	2019
	(Dollars in thousands)		
Balance at beginning of year	$ 15,400	$ 12,630	$ 11,688
Charge-offs:			
Residential first mortgage loans:			
One- to four-family	(83)	(94)	(330)
Construction	-	-	-
Commercial	(209)	-	(28)
Commercial real estate	(76)	(122)	(185)
Obligations of states and political subdivisions	-	-	-
Home equity loans and lines of credit	(9)	(61)	(62)
Auto loans	(274)	(786)	(1,233)
Other	(1)	(24)	(13)
Total charge-offs	(652)	(1,087)	(1,851)
Recoveries:			
Residential first mortgage loans:			
One- to four-family	311	7	113
Construction	-	-	-
Commercial	-	1	3
Commercial real estate	99	98	60
Obligations of states and political subdivisions	-	-	-
Home equity loans and lines of credit	9	17	7
Auto loans	246	453	518
Other	-	6	16
Total recoveries	665	582	717
Net (charge-offs) recoveries	13	(505)	(1,134)
Provision for loan losses	2,700	3,275	2,076
Balance at end of year	$ 18,113	$ 15,400	$ 12,630
Ratios:			
Net charge-offs to average loans outstanding	-0.01%	0.04%	0.09%
Allowance for loan losses to non-performing loans at end of year	114.16%	75.75%	125.52%
Allowance for loan losses to total loans at end of year	1.33%	1.07%	0.94%

See “Non-Performing Loans and Problem Assets.” There can be no assurance that we will not experience a deterioration of our loan portfolio, including increases in non-performing loans, problem assets and charge-offs, in the future.

Allocation of Allowance for Loan Losses. The following table sets forth the allowance for loan losses allocated by loan category, the percent of the allowance to the total allowance and the percent of loans in each category to total loans at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	2021			2020			2019		
	Amount	**Percent of Allowance to Total Allowance**	**Percent of Loans in Category to Total Loans**	**Amount**	**Percent of Allowance to Total Allowance**	**Percent of Loans in Category to Total Loans**	**Amount**	**Percent of Allowance to Total Allowance**	**Percent of Loans in Category to Total Loans**
				(Dollars in thousands)					
Residential first mortgage loans:									
One- to four-family	$ 4,114	22.71 %	42.70 %	$ 4,301	27.93 %	42.57 %	$ 4,243	33.60 %	44.55 %
Construction	187	1.03	1.03	127	0.82	0.83	53	0.42	0.42
Commercial	1,041	5.75	4.67	874	5.68	9.74	1,870	14.81	4.14
Commercial real estate	10,470	57.80	43.50	7,209	46.81	35.55	3,806	30.13	35.83
Obligations of states and political subdivisions	393	2.17	4.13	555	3.60	5.53	343	2.72	5.36
Home equity loans and lines of credit	318	1.76	2.83	337	2.19	2.84	329	2.60	3.37
Auto loans	232	1.28	1.02	780	5.06	2.78	1,384	10.96	6.11
Other	21	0.12	0.12	25	0.16	0.16	28	0.22	0.22
Total allocated allowance	16,776	92.62	100.00	14,208	92.25	100.00	12,056	95.46	100.00
Unallocated allowance	1,337	7.38	-	1,192	7.75	-	574	4.54	-
Total allowance for loan losses	$18,113	100.00 %	100.00 %	$15,400	100.00 %	100.00 %	$12,630	100.00 %	100.00 %

We use the accrual method of accounting for all performing loans. The accrual of interest income 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. When a loan is placed on nonaccrual status, unpaid interest previously credited to income is reversed. Interest received on nonaccrual loans is either applied against principal or reported as interest income, according to managements' judgement as to the collectability of principal. Generally, residential and consumer loans are restored to accrual status when the obligation is brought current in accordance with the contractual terms for a reasonable period of time and ultimate collectability of total contractual principal and interest is no longer in doubt. Commercial loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and ultimate collectability of total contractual principal and interest no longer is in doubt.

In our collection efforts, we will first attempt to cure any delinquent loan. If a real estate secured loan is placed on nonaccrual status, it could be subject to transfer to the real estate owned ("REO") portfolio (comprised of properties acquired by or in lieu of foreclosure), upon which our credit administration department will pursue the sale of the real estate. Prior to this transfer, the loan balance will be reduced, if necessary, to reflect its current market value less estimated costs to sell. Write downs of REO that occur after the initial transfer from the loan portfolio and costs of holding the property are recorded as other operating expenses, except for significant improvements which are capitalized to the extent that the carrying value does not exceed estimated net realizable value.

Fair values for determining the value of collateral are estimated from various sources, such as real estate appraisals, financial statements and from any other reliable sources of available information. For those loans deemed to be impaired, collateral value is reduced for the estimated costs to sell. Reductions of collateral value are based on historical loss experience, current market data, and any other source of reliable information specific to the collateral.

This analysis process is inherently subjective, as it requires us to make estimates that are susceptible to revisions as more information becomes available. Although we believe that we have established the allowance at levels to absorb probable and estimable losses, future additions may be necessary if economic or other conditions in the future differ from the current environment.

Securities Activities

Our securities investment policy is established by our Board of Directors. This policy dictates that investment decisions be made based on the safety of the investment, liquidity requirements, potential returns, cash flow targets, and consistency with our interest rate risk management strategy. Our investment policy is reviewed annually by our ALCO/Investment Management Committee. All policy changes recommended by this management committee must be approved by the Board of Directors. The Committee is comprised of the Chief Executive Officer, Chief Financial Officer, Controller, Chief Operating Officer, Chief Banking Officer, Administration/Operations Division Manager, Director of Consumer Lending, Chief Risk Officer. Authority to make investments under the approved guidelines is delegated by the Committee to appropriate officers. While general investment strategies are developed and authorized by the ALCO/Investment Management Committee, the execution of specific actions rests with the Chief Financial Officer.

The approved investment officers are authorized to execute investment transactions up to $5.0 million per transaction without the prior approval of the ALCO/Investment Management Committee and within the scope of the established investment policy. These officers are also authorized to execute investment transactions between $5.0 million and $10.0 million with the additional approval from the Chief Executive Officer. Each transaction in excess of $10.0 million must receive prior approval of the ALCO/Investment Management Committee.

Our current investment policy generally permits investments in debt securities issued by the U.S. government and U.S. agencies, obligations of states and political subdivisions, and corporate debt obligations, as well as investments in the Federal Home Loan Bank of Pittsburgh (federal agency securities) and, to a much lesser extent, other equity securities. Securities in these categories are classified as "investment securities" for financial reporting purposes. The policy also permits investments in mortgage-backed securities, including pass-through securities issued and guaranteed by Fannie Mae, Freddie Mac and Government National Mortgage Association ("GNMA") as well as commercial paper. Our current investment strategy uses a risk management approach of diversified investing in fixed-rate securities with short- to intermediate-term maturities, as well as adjustable-rate securities, which may have a longer term to maturity. The emphasis of this approach is to increase overall investment securities yields while managing interest rate risk.

Our policy is that, at the time of purchase, we designate a security as held to maturity, available-for-sale, or trading, depending on our ability and intent. Securities that are available-for-sale or held for trading are reported at fair value, while securities held to maturity are reported at amortized cost.

FHLB Securities. We hold Federal Home Loan Bank of Pittsburgh ("FHLB-Pittsburgh") common stock to qualify for membership in the Federal Home Loan Bank System and to be eligible to borrow funds under the FHLB advance program. There is no market for the common stock.

The aggregate fair value of our FHLB-Pittsburgh common stock as of September 30, 2021 was $4.5 million based on its par value. No unrealized gains or losses have been recorded because we have determined that the par value of the common stock represents its fair value. We owned shares of FHLB-Pittsburgh common stock at September 30, 2021 with a par value that was equal to what we were required to own to maintain our membership in the Federal Home Loan Bank System and to be eligible to obtain advances. We are required to purchase additional stock as our outstanding advances increase. Any excess stock we own is redeemed weekly by the FHLB-Pittsburgh.

Evaluation of Securities Portfolio. We review debt securities with significant declines in fair value on a periodic basis to determine whether they should be considered temporarily or other than temporarily impaired. If a decline in the fair value of a security is determined to be other than temporary, we are required to reduce the carrying value of the security to its fair value and record a non-cash, credit related impairment charge in the amount of the decline, net of tax effect, against our current income.

Our investment securities portfolio contains unrealized losses on securities, including mortgage-related instruments issued or backed by the full faith and credit of the United States government, or generally viewed as having the implied guarantee of the United States government, and debt obligations of a state or political subdivision, corporate obligations, and other debt securities.

Our policy is to recognize an other-than-temporary impairment of equity securities where the fair value has been significantly below cost for four consecutive quarters. For fixed maturity investments with unrealized losses due to interest rates where the Company does not intend to sell the security and it is more likely than not that the Company will not be required to sell the security before its anticipated recovery in market value, declines in value below cost are not assumed to be other than temporary. We review our position quarterly and concluded that at September 30, 2021, declines included in the table below represent temporary declines due to interest rate change, and we do not intend to sell those securities and it is more likely than not that we will not have to sell those securities before their anticipated recovery in market value.

The following table sets forth the composition of our securities portfolio (excluding FHLB-Pittsburgh common stock) at the dates indicated.

	At September 30,					
	2021		2020		2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)					
Investment securities available for sale:						
Mortgage-backed securities	$ 53,655	$ 55,068	$ 88,903	$ 91,431	$ 225,901	$ 226,440
Obligations of state and political subdivisions	12,826	13,246	21,136	21,931	19,860	20,212
U.S. government treasury securities	99,997	99,997	24,990	24,990	-	-
U.S. government agency securities	1,998	2,002	7,991	8,048	6,454	6,688
Corporate obligations	58,130	58,617	51,188	51,474	43,121	43,134
Other debt securities	11,493	11,651	14,265	14,610	17,036	16,919
Total investment securities available-for-sale	$ 238,099	$ 240,581	$ 208,473	$ 212,484	$ 312,372	$ 313,393
Investment securities held to maturity:						
Mortgage-backed securities	$ 21,483	$ 21,249	$ -	$ -	$ -	$ -
Total investment securities held-to-maturity	$ 21,483	$ 21,249	$ -	$ -	$ -	$ -

Portfolio Maturities and Yields. The composition and maturities of the investment securities portfolio at September 30, 2021 are summarized in the following table. Maturities are based on the final contractual payment dates, and do not reflect the impact of prepayments or early redemptions that may occur.

	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total Securities		
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
	(Dollars in thousands)										
Investment securities available for sale:											
U.S. government agency securities	$ -	- %	$ -	- %	$ 1,998	2.33 %	$ -	- %	$ 1,998	$ 2,002	2.33 %
U.S. government treasury securities	99,997	0.04	-	-	-	-	-	-	$ 99,997	99,997	0.04
Obligations of state and political subdivisions	-	-	5,716	2.25	5,550	2.53	1,560	2.83	12,826	13,246	2.44
Mortgage-backed securities	-	-	-	-	11,121	1.71	42,533	2.44	53,654	55,068	2.29
Corporate obligations	-	-	11,414	2.98	44,332	4.47	2,385	3.33	58,131	58,617	4.13
Other debt securities	1	2.77	446	2.61	873	0.93	10,173	2.44	11,493	11,651	2.33
Total investment securities available for-sale	$ 99,998	0.04 %	$ 17,576	2.73 %	$ 63,874	3.70 %	$ 56,651	2.49 %	$238,099	$240,581	1.80 %
Investment securities held to maturity:											
Mortgage-backed securities	-	-	-	-	6,778	1.34	14,705	1.47	21,483	21,249	1.43
Total investment securities held to-maturity	$ -	- %	$ -	- %	$ 6,778	1.34 %	$ 14,705	1.47 %	$ 21,483	$ 21,249	1.43 %

Sources of Funds

General. Deposits, borrowings, repayments and prepayments of loans and securities, proceeds from maturing securities and cash flows from operations are the primary sources of our funds for use in lending, investing and for other general purposes.

Deposits. We offer a variety of deposit accounts with a range of interest rates and terms. Our deposit accounts consist of savings accounts, interest bearing demand accounts, checking accounts, money market accounts, club accounts, certificates of deposit and IRAs and other qualified plan accounts. We provide commercial checking accounts for businesses.

At September 30, 2021, our deposits totaled $1.6 billion. Interest-bearing demand, savings and club, and money market deposits totaled $1.4 billion at September 30, 2021. At September 30, 2021, we had a total of $209.9 million in certificates of deposit. Noninterest-bearing demand deposits totaled $257.7 million. Although we have a significant portion of our deposits in shorter-term certificates of deposit, we monitor activity on these accounts and, based on historical experience and our current pricing strategy, we believe we will retain a large portion of these accounts upon maturity.

Our deposits are obtained predominantly from the areas in which our branch offices are located. We rely on our favorable locations, customer service and competitive pricing to attract and retain these deposits. While we accept certificates of deposit in excess of $100,000 for which we may provide preferential rates, we generally do not solicit such deposits as they are more difficult to retain than core deposits. At September 30, 2021, we had a total of $225.0 million of brokered certificates of deposits, an increase of $6.8 million from the prior fiscal year end. Our brokered certificates of deposits range from less than one- to three-year terms and are purchased only through pre-approved brokers.

The following table sets forth the distribution of average deposit accounts, by account type, at the dates indicated.

	For the Years Ended September 30,								
	2021			2020			2019		
	Average Balance	Percent	Average Rate Paid	Average Balance	Percent	Average Rate Paid	Average Balance	Percent	Average Rate Paid
	(Dollars in thousands)								
Deposit type:									
Noninterest bearing demand accounts	$ 264,160	16.12%	-%	$ 206,108	14.85%	-%	$ 167,211	12.63%	-%
Interest bearing demand accounts	270,238	16.49%	0.10%	220,770	15.90%	0.29%	196,854	14.87%	0.36%
Money market	409,568	25.00%	0.16%	357,779	25.77%	0.73%	331,208	25.02%	1.20%
Savings and club	178,534	10.90%	0.05%	146,935	10.59%	0.06%	132,604	10.02%	0.05%
Certificates of deposit	515,937	31.49%	0.86%	456,468	32.89%	1.57%	495,957	37.46%	1.95%
Total deposits	$ 1,638,437	100.00%	0.33%	$ 1,388,060	100.00%	0.76%	$ 1,323,834	100.00%	1.09%

As of September 30, 2021, the aggregate amount of outstanding certificates of deposit in amounts greater than or equal to $100,000 was approximately $90.6 million. The following table sets forth the maturity of those certificates as of September 30, 2021.

	At September 30, 2021
	(In thousands)
Three months or less	$ 22,930
Over three months through six months	20,341
Over six months through one year	25,700
Over one year	21,638
Total	$ 90,609

At September 30, 2021, $158.8 million of our certificates of deposit had maturities of one year or less. We monitor activity on these accounts and, based on historical experience and our current pricing strategy, we believe we will retain a significant portion of these accounts upon maturity.

Borrowings. Our short-term borrowings consist of Federal Home Loan Bank advances. The following table sets forth information concerning balances and interest rates on all of our short-term borrowings at the dates and for the years indicated.

	At or For the Years Ended September 30,		
	2021	2020	2019
	(Dollars in thousands)		
Balance at end of year	$ -	$ 111,713	$ 107,701
Maximum outstanding at any month end	$ 61,713	$ 239,467	$ 239,824
Average balance during year	$ 12,661	$ 147,179	$ 165,730
Weighted average interest rate at end of year	0.00%	0.42%	2.35%
Average interest rate during year	0.43%	1.53%	2.10%

At September 30, 2021, we had the ability to borrow approximately $726.3 million under our credit facilities with the FHLB-Pittsburgh.

Competition

We face significant competition in both originating loans and attracting deposits. The counties in which we operate have a significant concentration of financial institutions, many of which are significantly larger institutions and have greater financial resources, and many of which are our competitors to varying degrees. Our competition for loans comes principally from commercial banks, savings banks, mortgage banking companies, credit unions, leasing companies, insurance companies and other financial service companies. Our most direct competition for deposits has historically come from commercial banks, savings banks and credit unions. We face additional competition for deposits from nondepository competitors such as the mutual fund industry, securities and brokerage firms and insurance companies.

We seek to meet this competition by the convenience of our branch locations, emphasizing personalized banking, electronic banking solutions and the advantage of local decision-making in our banking business. Specifically, we promote and maintain relationships and build customer loyalty within local communities by focusing our marketing and community involvement on the specific needs of individual neighborhoods. As of September 30, 2021, the Bank had the largest deposit market share in Monroe County, Pennsylvania. We do not rely on any individual, group, or entity for a material portion of our deposits.

Employees and Human Capital Resources

As of September 30, 2021, we had 234 full-time employees, and 17 part-time employees. The employees are not represented by a collective bargaining unit and we consider our relationship with our employees to be good.

We encourage and support the growth and development of our employees and, wherever possible, seek to fill positions by promotion and transfer from within the organization. Continual learning and career development is advanced through ongoing performance and development conversations with employees, internally developed training programs, customized corporate training engagements and educational reimbursement programs. Reimbursement is available to employees enrolled in pre-approved degree or certification programs at accredited institutions that teach skills or knowledge relevant to our business, in compliance with Section 127 of the Internal Revenue Code, and for seminars, conferences, and other training events employees attend in connection with their job duties.

The safety, health and wellness of our employees is a top priority. The COVID-19 pandemic continues to present a unique challenge with regard to maintaining employee safety while continuing successful operations. Through teamwork and the adaptability of our management and staff, we have been able to transition, many of our employees to working from remote locations and ensure a safely-distanced working environment for employees performing customer facing activities at branches and operations centers. All employees are asked not to come to work when they experience signs or symptoms of a possible COVID-19 illness and have been provided additional paid time off to cover compensation during such absences. On an ongoing basis, we further promote the health and wellness of our employees by strongly encouraging work-life balance, offering flexible work schedules, keeping the employee portion of health care premiums to a minimum and sponsoring various wellness programs.

Employee retention helps us operate efficiently and achieve one of our business objectives, which is being a low-cost provider. We believe our commitment to living out our core values, actively prioritizing concern for our employees' well-being, supporting our employees' career goals, offering competitive wages and providing valuable fringe benefits aids in retention of our top-performing employees. In addition, nearly all of our employees are stockholders of the Company through participation in our employee stock ownership plan, which aligns associate and stockholder interests by providing stock ownership on a tax-deferred basis at no investment cost to our associates.

Subsidiary Activities

The Bank has four wholly owned subsidiaries, ESSACOR, Inc., Pocono Investment Company, ESSA Advisory Services, LLC, and Integrated Financial Corporation and its fully owned subsidiary Integrated Abstract Incorporated. ESSACOR, Inc. is a Pennsylvania corporation that has been used to purchase properties at tax sales that represent collateral for delinquent loans of the Bank and is currently inactive. Pocono Investment Company is a Delaware corporation formed as an investment company subsidiary to hold and manage certain investments of the Bank, including certain intellectual property. ESSA Advisory Services, LLC is a Pennsylvania limited liability company owned by the Bank. ESSA Advisory Services, LLC is Pennsylvania limited liability company that is a full-service insurance benefits consulting company offering group services such as health insurance, life insurance, short term and long term disability, dental, vision and 401(K) retirement planning as well as individual health products. Integrated Financial Corporation is a Pennsylvania corporation that provided investment advisory services to the general public and is currently inactive. Integrated Abstract Incorporated is a Pennsylvania corporation that provided title insurance services and is currently inactive.

SUPERVISION AND REGULATION

General

The Company is a Pennsylvania corporation. The Company was formerly regulated as a savings and loan holding company, and in November 2014 took the steps necessary to be regulated as a bank holding company. As a bank holding company, we are required to file certain reports with, and otherwise comply with the rules and regulations of the Federal Reserve Board.

The Bank is a Pennsylvania-chartered savings bank and its deposit accounts are insured up to applicable limits by the Federal Deposit Insurance Corporation (“FDIC “) under the Deposit Insurance Fund (“DIF”). We are subject to extensive regulation by the Pennsylvania Department of Banking and Securities (the “Department”), our chartering agency, and by the FDIC, our primary federal regulator. We must file reports with the Department and the FDIC concerning our activities and financial condition, in addition to obtaining regulatory approvals prior to entering into certain transactions including, but not limited to, mergers with or acquisitions of other savings institutions. There are periodic examinations by the Department and the FDIC to test our compliance with various regulatory requirements. This regulation and supervision establishes a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of the FDIC insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and with their examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such regulation, whether by the Department or the FDIC could have a material adverse impact on us and our operations.

Regulation by the Pennsylvania Department of Banking and Securities

The Pennsylvania Banking Code of 1965, as amended (the “Banking Code”) contains detailed provisions governing the organization, location of offices, rights and responsibilities of directors, officers, employees, and depositors, as well as corporate powers, savings and investment operations and other aspects of the Bank and its affairs. The Banking Code delegates extensive rulemaking power and administrative discretion to the Department 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. The Department may also take enforcement actions against savings banks and may appoint a receiver or conservator for a savings bank under certain circumstances.

The Department generally examines each savings bank not less frequently than once every two years. Although the Department may accept the examinations and reports of the FDIC in lieu of the Department’s examination, the current practice is for the Department to conduct individual examinations. The Department may order any savings bank to discontinue any violation of law or unsafe or unsound business practice and may direct any trustee, officer, attorney, or employee of a savings bank engaged in an objectionable activity, after the Department has ordered the activity to be terminated, to show cause at a hearing before the Department why such person should not be removed.

The Bank was formerly a Pennsylvania savings association. Changes to Pennsylvania law repealed the Savings Association Code. Consequently, in March 2014, the Bank converted its charter to a Pennsylvania savings bank whose state law powers are primarily governed by Chapter 5 of the Pennsylvania Baking Code of 1965, as amended. The charter conversion did not have a material effect on the operations of the Bank.

Regulation by the Federal Deposit Insurance Corporation

The Bank is also subject to extensive regulation, examination and supervision by the FDIC, as its primary federal regulator. Such regulation and supervision:

- limits the investment authority of the Bank;
- establishes a continuing and affirmative obligation, consistent with the Bank's safe and sound operation, to help meet the credit needs of its community, including low and moderate income neighborhoods;
- establishes various capital categories resulting in various levels of regulatory scrutiny applied to the institutions in a particular category; and
- establishes standards for safety and soundness.

The FDIC is required by law to examine each regulated institution every twelve months, subject to an exception for institutions of less than $3 billion of total assets that satisfy certain other criteria, which are on an eighteen-month examination schedule. The FDIC has the authority to order any savings bank and its directors, officers, attorneys or employees to discontinue any violation of law or unsafe or unsound banking practice.

Federal law and FDIC regulations generally limit the activities as principal and investments of state-chartered FDIC insured banks and their subsidiaries to those permissible for national banks and their subsidiaries, unless such activities and investments are specifically exempted by law or consented to by the FDIC.

Before engaging in a new activity as principal that is not permissible for a national bank or otherwise permissible under federal law or FDIC regulations, an insured savings bank must seek approval from the FDIC to engage in such activity. The FDIC will not approve the activity unless the savings bank meets its minimum capital requirements and the FDIC determines that the activity does not present a significant risk to the FDIC insurance funds. Certain activities of subsidiaries that are engaged in activities permitted for national banks only through a "financial subsidiary" are subject to additional restrictions. Although the Bank meets all conditions necessary to establish and engage in permitted activities through financial subsidiaries, it has not chosen to engage in such activities.

Transactions with Affiliates

Transactions between an insured bank, such as the Bank, and any of its affiliates are governed by Sections 23A and 23B of the Federal Reserve Act and implementing regulations. An affiliate of a bank is any company or entity that controls, is controlled by or is under common control with the bank. Generally, a subsidiary of a bank that is not also a depository institution or financial subsidiary is not treated as an affiliate of the bank under Sections 23A and 23B but instead is considered part of the bank for purposes of the applicable limits and requirements.

Section 23A:

- limits the extent to which a bank and its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10% of such bank's capital stock and retained earnings, and limits all such transactions with all affiliates to an amount equal to 20% of such capital stock and retained earnings; and
- requires that all such transactions be on terms that are consistent with safe and sound banking practices.

The term "covered transaction" includes the making of loans, purchase of assets, issuance of guarantees and similar transactions. Most loans by a bank to any of its affiliates must be secured by collateral in amounts ranging from 100% to 130% of the loan amounts, depending on the type of collateral. In addition, any covered transaction by a bank with an affiliate and any purchase of assets or services by a bank from an affiliate must be on terms that are substantially the same, or at least as favorable to the bank, as those that would be provided to a non-affiliate

Insurance of Accounts and Regulation by the Federal Deposit Insurance Corporation

Deposit accounts in the Bank are insured by the FDIC's Deposit Insurance Fund ("DIF") generally up to a maximum of $250,000 per separately insured depositor and up to a maximum of $250,000 for self-directed retirement accounts.

The FDIC charges insured depository institutions risk-based assessments to maintain the DIF. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") required the FDIC to revise its procedures to base its assessments upon each insured institution's total assets less tangible equity instead of deposits. The FDIC finalized a rule, effective

April 1, 2011, that set the assessment range at 2.5 to 45 basis points of total assets less tangible equity. Effective July 1, 2016, the FDIC adopted changes that eliminated its prior practice of placing insured institutions into risk categories. Instead, assessments for most banks are now based on financial measures and supervisory ratings derived from statistical modeling estimating the probability of failure over three years. In conjunction with the DIF reserve ratio achieving 1.15%, the assessment range (inclusive of possible adjustments) was also reduced for most banks to 1.5 basis points to 30 basis points. Beginning September 2019, banks of less than $10 billion of total assets received certain "small bank assessment credits" for the portion of their assessments that contributed to the growth of the FDIC's fund reserve ratio from 1.15% to 1.35%. The credits ended as of the September 30, 2021 assessment invoice.

The FDIC may adjust its risk-based assessment system in the future, except that no adjustment can be made without notice and comment rulemaking. No institution may pay a dividend if in default of the federal deposit insurance assessment.

Insurance of deposits may be terminated by the Federal Deposit Insurance Corporation upon a finding that an 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 condition imposed by the Federal Deposit Insurance Corporation. The Bank does not believe that it is taking or is subject to any action, condition or violation that could lead to termination of its deposit insurance.

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, a Tier 1 capital to risk-based assets ratio, a total capital to risk-based assets, and a Tier 1 capital to total adjusted assets leverage ratio. The existing capital requirements were effective January 1, 2015 and are the result of a final rule implementing regulatory amendments based on recommendations of the Basel Committee on Banking Supervision and certain requirements of the Dodd-Frank Act.

The capital standards require the maintenance of common equity Tier 1 capital, Tier 1 capital and total capital to risk-weighted assets of at least 4.5%, 6% and 8%, respectively, and a leverage ratio of at least 4% Tier 1 capital. 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 have exercised an opt-out 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 elected to opt out of this requirement. 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 (e.g., 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 capital, 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. A bank's failure to achieve the "capital conservation buffer" will result in restrictions on paying dividends, engaging in stock repurchases and paying discretionary bonuses. The capital conservation buffer requirement was phased in. It began on January 1, 2016 at 0.625% of risk-weighted assets and has increased on January 1 of each succeeding year by 0.625%. It was fully implemented at 2.5% on January 1, 2019.

Legislation enacted in May 2018 required the federal banking agencies, including the FDIC, to establish an optional "community bank leverage ratio" of between 8 to 10% Tier 1 equity/consolidated assets. That alternative is available to institutions with assets of less than $10 billion of assets that meet certain other requirements (including off-balance sheet exposure of 25% or less of total assets and trading assets and liabilities of 5% or less of total assets). Eligible institutions with a capital level meeting or exceeding the specified requirement and electing to use the community bank leverage ratio framework are considered to comply with the applicable regulatory capital requirements, including the risk-based requirements. The establishment of the community bank leverage ratio was subject to notice and comment rulemaking by the federal regulators and a final rule was issued in November 2019 establishing the community bank leverage ratio at 9%. The community bank leverage ratio option was available commencing the first quarter of 2020. A qualifying institution may opt in and out of the community bank leverage ratio framework on its quarterly call report. An institution that ceases to meet any qualifying criteria is provided with a two-quarter grace period to either comply with the community bank leverage ratio requirements or comply with the general capital regulations, including the risk-based capital requirements.

Section 4012 of the Coronavirus Aid, Relief and Economic Security Act of 2020 required that the community bank leverage ratio be temporarily lowered to 8%. The federal regulators issued a rule implementing the lower ratio effective April 23, 2020. The rule also established a two-quarter grace period for a qualifying institution whose leverage ratio falls below the 8% community bank leverage ratio requirement so long as the bank maintains a leverage ratio of 7% or greater. Another rule was issued to transition back to the 9% community bank leverage ratio by increasing the ratio to 8.5% for calendar year 2021 and 9% thereafter.

In assessing an institution's capital adequacy, the FDIC takes into consideration, not only these numeric factors, but qualitative factors as well, and has the authority to establish higher capital requirements for individual institutions where deemed necessary.

At September 30, 2021, the Bank's capital exceeded all applicable requirements.

Any state-chartered savings bank that fails any of the capital requirements is subject to possible enforcement actions by the FDIC. Such actions could include a capital directive, a cease and desist order, civil money penalties, the establishment of restrictions on an institution's operations, termination of federal deposit insurance and the appointment of a conservator or receiver. Certain corrective actions are required by law, as described further under "Prompt Corrective Action."

We are also subject to capital regulations of the Department which generally incorporate federal leverage and risk-based capital requirements.

Dividends from ESSA Bank & Trust

Our ability to pay dividends depends, to a large extent, upon the Bank's ability to pay dividends to the Company. The Banking Code states that no dividend may be paid out of surplus without approval of the Department. Dividends may be paid out of accumulated net earnings. No dividend may generally be paid that would result in the Bank failing to comply with its regulatory capital requirements.

Prompt Corrective Action

Under the federal Prompt Corrective Action regulations, a savings bank is deemed to be (i) "well capitalized" if it has total risk-based capital of 10.0% or more, a Tier 1 risk-based capital ratio of 8.0% or more, a Tier I leverage capital ratio of 5.0% or more, a common equity Tier 1 ratio of 6.5% or more and is not subject to any written capital order or directive; (ii) "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or more, a Tier I risk-based capital ratio of 6.0% or more, a Tier I leverage capital ratio of 4.0% or more, a common equity Tier 1 capital ratio of 4.5% or more, and does not meet the definition of "well capitalized"; (iii) "undercapitalized" if it has a total risk-based capital ratio that is less than 8.0%, a Tier I risk-based capital ratio that is less than 6.0%, a Tier I leverage capital ratio that is less than 4.0% or a common equity Tier 1 leverage ratio of less than 4.5%, (iv) "significantly undercapitalized" if it has a total risk-based capital ratio that is less than 6.0%, a Tier I risk-based capital ratio that is less than 4.0%, a Tier I leverage capital ratio that is less than 3.0% or a common equity Tier 1 ratio of less than 3%; and (v) "critically undercapitalized" if it has a ratio of tangible equity to total assets that is equal to or less than 2.0%. Federal regulations also specify circumstances under which a federal banking agency may reclassify a well capitalized institution as adequately capitalized and may require an adequately capitalized institution to comply with supervisory actions as if it were in the next lower category (except that the FDIC may not reclassify a significantly undercapitalized institution as critically undercapitalized).

Generally, the FDIC is required to appoint a receiver or conservator within specific time frames for a savings bank that becomes “critically undercapitalized.” The regulations also provide that a capital restoration plan must be filed with the FDIC within 45 days of the date a savings bank receives notice that it is “undercapitalized,” “significantly undercapitalized” or “critically undercapitalized.” The holding company for a savings bank required to submit a capital restoration plan must guarantee the lesser of: an amount equal to 5% of a savings bank’s assets at the time it was notified or deemed to be undercapitalized by the FDIC, or the amount necessary to restore the savings bank to adequately capitalized status. The guarantee remains in place until the FDIC notifies the savings bank that it has maintained adequately capitalized status for each of four consecutive calendar quarters. Undercapitalized institutions are subject to certain mandatory restrictions, including on capital distributions and growth. Significantly undercapitalized and critically undercapitalized institutions are subject to additional restrictions. The FDIC may also take any one of a number of discretionary supervisory actions against an undercapitalized savings bank, including the issuance of a capital directive and the replacement of senior executive officers and directors.

The Prompt Corrective categories discussed above were effective January 1, 2015 and reflect the revised regulatory capital requirements effective the same date. The final rule establishing the community bank leverage ratio provides that an institution electing and complying with that alternative regulatory capital framework is considered to be “well capitalized” under the Prompt Corrective Actions regulations.

As of September 30, 2021, the Bank was a “well-capitalized institution” under the Prompt Corrective Action regulations.

The USA PATRIOT Act

The USA PATRIOT Act of 2001 gave the federal government powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing and broadened anti-money laundering requirements. The USA PATRIOT Act also required the federal banking agencies to take into consideration the effectiveness of controls designed to combat money laundering activities in determining whether to approve a merger or other acquisition application of a member institution. Accordingly, if we engage in a merger or other acquisition, our controls designed to combat money laundering would be considered as part of the application process. We have established policies, procedures and systems designed to comply with these regulations.

Holding Company Regulation

The Company is a bank holding company that has elected to be a financial holding company and is subject to examination, regulation and periodic reporting under the Bank Holding Company Act of 1956 (the "Bank Holding Company Act"), as administered by the Federal Reserve Board. The Federal Reserve Board has adopted capital adequacy regulations for bank holding companies on a consolidated basis. The Dodd-Frank Act 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 institutions applied to bank holding companies with greater than $1 billion in assets, including the Company, effective January 1, 2015. However, federal legislation enacted in May 2018 and implemented by the Federal Reserve Board effective August 30, 2018, raised the threshold of the Federal Reserve Board's "Small Bank Holding Company" exception to the application of consolidated capital requirements from $1 billion to $3 billion of consolidated assets. Consequently, bank holding companies of under $3 billion of consolidated assets are no longer subject to the consolidated requirements unless otherwise directed by the Federal Reserve Board.

Regulations of the Federal Reserve Board provide that a bank holding company must serve as a source of strength to any of its subsidiary banks and must not conduct its activities in an unsafe or unsound manner. The Dodd-Frank Act codified the source of strength policy and required the issuance of implementing regulations. Under the prompt corrective action provisions of the Federal Deposit Insurance Act, a bank holding company parent of an undercapitalized subsidiary bank must guarantee, within limitations, the capital restoration plan that is required of an undercapitalized bank. If an undercapitalized bank fails to file an acceptable capital restoration plan or to implement an accepted plan, the Federal Reserve Board may prohibit the bank holding company parent of the undercapitalized bank from paying any dividend or making any other form of capital distribution. In addition, Federal Reserve Board policy is that a bank holding company should pay cash dividends only to the extent that the company's net income for the past year is consistent with the company's capital needs, asset quality and overall financial condition.

A bank holding company is required to give the Federal Reserve Board prior written notice of any purchase or redemption of its 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, will equal 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. Such notice and approval is not required for a bank holding company that is "well capitalized" under applicable regulations of the Federal Reserve Board, has received at least an overall "satisfactory" composite rating, as well as "satisfactory" rating for management, at its most recent bank holding company examination by the Federal Reserve Board, and that is not the subject of any unresolved supervisory issues. In addition, Federal Reserve Board guidance provides for agency prior review of bank holding company dividends and stock redemptions and repurchases in certain circumstances, which may affect our ability to pay dividends, or engage in redemptions or repurchases.

As a financial holding company, we are permitted (1) to engage in other activities that the Federal Reserve Board determines to be financial in nature, incidental to an activity that is financial in nature, or complementary to a financial activity and that do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally, or (2) to acquire shares of companies engaged in such activities. We may not, however, directly or indirectly acquire the ownership or control of more than 5% of any class of voting shares, or substantially all of the assets, of a bank holding company or a bank without the prior approval of the Federal Reserve Board.

In order to maintain our status as a financial holding company, we must remain "well capitalized" and "well managed" under applicable regulations and maintain a "satisfactory" or better rating under the Community Reinvestment Act. Failure to meet one or more of the requirements would mean, depending on the requirements not met, that we could not undertake new activities, make acquisitions other than those permitted generally for bank holding companies, or continue certain activities.

Regulatory Enforcement Authority

Federal law provides federal banking regulators with substantial enforcement powers. This enforcement authority includes, among other things, the ability to assess civil money penalties, issue cease-and-desist and removal orders, and initiate injunctive actions against banking organizations and institution-affiliated parties, as defined. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with regulatory authorities.

Federal Securities Laws

Shares of the Company's common stock are registered with the SEC under Section 12(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company is also subject to the proxy rules, tender offer rules, insider trading restrictions, annual and periodic reporting, and other requirements of the Exchange Act.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 was enacted in response to public concerns regarding corporate accountability in connection with certain accounting scandals. The stated goals of the Sarbanes-Oxley Act are to increase 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. The Sarbanes-Oxley Act generally applies to all companies that file or are required to file periodic reports with the SEC, under the Securities Exchange Act of 1934.

The Sarbanes-Oxley Act includes specific additional disclosure requirements, requires the Securities and Exchange Commission and national securities exchanges to adopt extensive additional disclosure, corporate governance and other related rules, and mandates further studies of certain issues by the SEC. The Sarbanes-Oxley Act represents significant federal involvement in matters traditionally left to state regulatory systems, such as the regulation of the accounting profession, and to corporate law, such as the relationship between a board of directors and management and between a board of directors and its committees.

Although we have and will continue to incur additional expense in complying with the provisions of the Sarbanes-Oxley Act and the resulting regulations, management does not expect that such compliance will have a material impact on our results of operations or financial condition.

The Coronavirus Aid, Relief and Economic Security Act (the "CARES Act")

The CARES Act, which became law on March 27, 2020, provided over $2 trillion to combat the coronavirus (COVID-19) and stimulate the economy. The law had several provisions relevant to depository institutions, including:

Allowing institutions not to characterize loan modifications relating to the COVID-19 pandemic as a troubled debt restructuring and also allowing them to suspend the corresponding impairment determination for accounting purposes;

As previously noted, temporarily reducing the community bank leverage ratio alternative available to institutions of less than $10 billion of assets to 8%.

The ability of a borrower of a federally-backed mortgage loan (VA, FHA, USDA, Freddie Mac and Fannie Mae) experiencing financial hardship due, directly or indirectly, to the COVID-19 pandemic, to request forbearance from paying their mortgage by submitting a request to the borrower's servicer affirming their financial hardship during the COVID-19 emergency. Such a forbearance could be granted for up to 180 days, subject to extensions upon the request of the borrower up to a total of 18 months. During that time, no fees, penalties or interest beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the mortgage contract could accrue on the borrower's account. Except for vacant or abandoned property, the servicer of a federally-backed mortgage was prohibited from taking any foreclosure action, including any eviction or sale action. Additional opportunities for forbearance were subsequently made available by the federal agencies and, most recently, certain forbearance options were extended indefinitely through the end of the COVID-19 National Emergency.

The ability of a borrower of a multi-family federally backed mortgage loan that was current as of February 1, 2020, to submit a request for forbearance to the borrower's servicer affirming that the borrower is experiencing financial hardship during the COVID-19 emergency. A forbearance could be granted for up to 30 days, which could be extended for up to two additional 30-day periods upon the request of the borrower. Later extensions were made available, for a total of six months, for certain federally backed multi-family mortgage loans. During the time of the forbearance, the multi-family borrower could not evict or initiate the eviction of a tenant or charge any late fees, penalties or other charges to a tenant for late payment of rent. Additionally, a multi-family borrower that received a forbearance could not require a tenant to vacate a dwelling unit before a date that is 30 days after the date on which the borrower provided the tenant notice to vacate and may not issue a notice to vacate until after the expiration of the forbearance. Most recently, certain forbearance options for borrowers of federally-backed multi -family mortgages were extended indefinitely by federal agencies due to the uncertain nature of the pandemic.

The Paycheck Protection Program

The CARES Act and the Paycheck Protection Program and Health Care Enhancement Act provided $659 billion to fund loans by depository institutions to eligible small businesses through the Small Business Administration's ("SBA") 7(a) loan guaranty program. These loans are 100% federally guaranteed (principal and interest). An eligible business could apply under the Paycheck Protection Program ("PPP") during the applicable covered period and receive a loan up to 2.5 times its average monthly "payroll costs" limited to a loan amount of $10.0 million. The proceeds of the loan could be used for payroll (excluding individual employee compensation over $100,000 per year), mortgage, interest, rent, insurance, utilities and other qualifying expenses. PPP loans have: (a) an interest rate of 1.0%, (b) a two-year loan term (or five-year loan term for loans made after June 5, 2021) to maturity; and (c) principal and interest payments deferred until the date on which the SBA remits the loan forgiveness amount to the borrower's lender or, alternatively, notifies the lender no loan forgiveness is allowed. If the borrower did not submit a loan forgiveness application to the lender within 10 months following the end of the 24-week loan forgiveness covered period (or the 8-week loan forgiveness covered period with respect to loans made prior to June 5, 2021 if such covered period is elected by the borrower), the borrower would begin paying principal and interest on the PPP loan immediately after the 10-month period. The SBA guarantees 100% of the PPP loans made to eligible borrowers. The entire principal amount of the borrower's PPP loan, including any accrued interest, is eligible to be fully reduced by the loan forgiveness amount under the PPP so long as, during the applicable loan forgiveness covered period, employee and compensation levels of the business are maintained and 60% of the loan proceeds are used for payroll expenses, with the remaining 40% of the loan proceeds used for other qualifying expenses. The PPP ended on May 31, 2021, though existing borrowers may still be eligible for loan forgiveness. As of September 30, 2021 the Company had 180 PPP loans totaling $22.6 million.

FEDERAL AND STATE TAXATION

Federal Taxation

General. ESSA Bancorp and the Bank are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. The following discussion of federal taxation is intended only to summarize material federal income tax matters and is not a comprehensive description of the tax rules applicable to ESSA Bancorp and the Bank.

Method of Accounting. For federal income tax purposes, ESSA Bancorp currently reports its income and expenses on the accrual method of accounting and uses a tax year ending September 30 for filing its consolidated federal income tax returns. The Small Business Protection Act of 1996 eliminated the use of the reserve method of accounting for bad debt reserves by savings institutions, effective for taxable years beginning after 1995.

Bad Debt Reserves. Prior to the Small Business Protection Act of 1996, the Bank was permitted to establish a reserve for bad debts for tax purposes and to make annual additions to the reserve. These additions could, within specified formula limits, be deducted in arriving at the Bank's taxable income. As a result of the Small Business Protection Act of 1996, the Bank must use the specific charge off method in computing its bad debt deduction for tax purposes.

Taxable Distributions and Recapture. Prior to the Small Business Protection Act of 1996, bad debt reserves created prior to 1988 were subject to recapture into taxable income if the Bank failed to meet certain thrift asset and definition tests. The Small Business Protection Act of 1996 eliminated these thrift-related recapture rules. However, under current law, pre-1988 reserves remain subject to tax recapture should the Bank make certain distributions from its tax bad debt reserve or cease to maintain a financial institution charter. At September 30, 2021, the Bank's total federal pre-1988 reserve was approximately $4.6 million. This reserve reflects the cumulative effects of federal tax deductions by the Bank for which no federal income tax provision has been made.

Minimum Tax. The Internal Revenue Code of 1986, as amended, imposes an alternative minimum tax at a rate of 20% on a base of regular taxable income plus certain tax preferences, referred to as "alternative minimum taxable income." The alternative minimum tax is payable to the extent alternative minimum tax income is in excess of the regular income tax. Net operating losses can, in general, offset no more than 90% of alternative minimum taxable income. Certain payments of alternative minimum tax may be used as credits against regular tax liabilities in future years. At September 30, 2021, the Bank had a $139,000 minimum tax credit carryforward.

Net Operating Loss Carryovers. A financial institution may carry back net operating losses to the preceding two taxable years (five years for losses incurred in 2001, 2002 and 2009) and forward to the succeeding 20 taxable years. At September 30, 2021, the Bank had no net operating loss carryforward for federal income tax purposes.

Corporate Dividends. We may exclude from our income 100% of dividends received from the Bank as a member of the same affiliated group of corporations.

Audit of Tax Returns. ESSA Bancorp's federal income tax returns have not been audited in the most recent three-year period. The 2017, 2018, 2019 and 2020 tax years remain open. The tax returns filed for the fiscal years ended September 30, 2018, 2019 and 2020 represents tax years 2017, 2018 and 2019, respectively. The Company has not yet filed its tax return for the fiscal year ended September 30, 2021 which represents the 2020 tax year.

State Taxation

ESSA Bancorp, Inc. is subject to the Pennsylvania Corporate Net Income Tax. The Corporation Net Income Tax rate for fiscal year 2021 is 10.0% and is imposed on unconsolidated taxable income for federal purposes with certain adjustments. The Bank is subject to tax under the Pennsylvania Mutual Thrift Institutions Tax Act, as amended to include thrift institutions having capital stock. Pursuant to the Mutual Thrift Institutions Tax, the tax rate is 11.5%. The Mutual Thrift Institutions Tax exempts the Bank from other taxes imposed by the Commonwealth of Pennsylvania for state income tax purposes and from all local taxation imposed by political subdivisions, except taxes on real estate and real estate transfers. The Mutual Thrift Institutions Tax is a tax upon net earnings, determined in accordance with generally accepted accounting principles with certain adjustments. The Mutual Thrift Institutions Tax, in computing income according to generally accepted accounting principles, allows for the deduction of interest earned on state and federal obligations, while disallowing a percentage of thrift's interest expense deduction in the proportion of interest income on those securities to the overall interest income of the Bank. Net operating losses, if any, thereafter, can be carried forward three years for Mutual Thrift Institutions Tax purposes.

Item 1A. Risk Factors

In addition to factors discussed in the description of our business and elsewhere in this report, the following are factors that could adversely affect our future results of operations and financial condition.

Economic and Market Area

The COVID-19 pandemic has and will continue to pose risks and could harm business, results of operations and prospects of the Company.

The COVID-19 pandemic is having an adverse impact on the Company, its customers and the communities it serves. Given its ongoing and dynamic nature, it is difficult to predict the full impact of the COVID-19 pandemic on the business of the Company, its customers, employees and third-party service providers. The extent of such impact will depend on future developments, which are highly uncertain, including if and to what extent the coronavirus can be controlled and abated and if the economy may remain open and operate in an efficient manner. Additionally, the responses of various governmental and nongovernmental authorities to curtail business and consumer activities in an effort to mitigate the pandemic will have material long-term effects on the Company and its customers which are difficult to quantify in the near-term or long-term.

As the result of the COVID-19 pandemic and the related adverse local and national economic consequences, the Company is subject to the following risks, any of which could have a material, adverse effect on the business, financial condition, liquidity, and results of operations of the Company:

- effects on key employees, including operational management personnel and those charged with preparing, monitoring and evaluating the companies' financial reporting and internal controls;
- declines in demand for loans and other banking services and products, as well as a decline in the credit quality of our loan portfolio, owing to the effects of COVID-19 in the markets served by the Company;
- if the economy is unable to remain open in an efficient manner, loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income;

- collateral for loans, especially real estate, may continue to decline in value, which could cause loan losses to increase;

- allowance for loan losses may increase if borrowers experience financial difficulties, which will adversely affect net income;

- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments;

- as the result of the decline in the Federal Reserve Board's target federal funds rate to near 0%, the yield on assets may decline to a greater extent than the decline in cost of interest-bearing liabilities, reducing net interest margin and spread and reducing net income;

- cyber security risks are increased as the result of an increase in the number of employees working remotely;

- increasing or protracted volatility in the price of the Company's common stock, which may also impair our goodwill; and

- risks to the capital markets that may impact the performance of the investment securities portfolio of the Company, as well as limit our access to capital markets and other funding sources.

Concentration of Loans in Our Primary Market Area May Increase the Risk of Increased Nonperforming Assets.

Our success depends primarily on the general economic conditions in the Pennsylvania counties of Monroe, Northampton, Lehigh, Lackawanna, Luzerne, Chester, Delaware and Montgomery as nearly all of our loans are to customers in these markets. Accordingly, the local economic conditions in these market areas have a significant impact on the ability of borrowers to repay loans as well as our ability to originate new loans. As such, decline in real estate values in these market areas would also lower the value of the collateral securing loans on properties in these market areas. In addition, weakening in general economic conditions such as inflation, recession, unemployment or other factors beyond our control could negatively affect our financial results.

Strong Competition Within Our Market Areas May Limit Our Growth and Profitability.

Competition in the banking and financial services industry is intense. In our market areas, we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, and brokerage and investment banking firms operating locally and elsewhere. Some of our competitors have greater name recognition and market presence that benefit them in attracting business, and offer certain services that we do not or cannot provide. In addition, larger competitors may be able to price loans and deposits more aggressively than we do, which could affect our ability to grow and remain profitable on a long-term basis. Our profitability depends upon our continued ability to successfully compete in our market areas. For additional information see "Item 1. Business—Competition."

The Soundness of Other Financial Services Institutions May Adversely Affect Our Credit Risk.

We rely on other financial services institutions through trading, clearing, counterparty, and other relationships. We maintain limits and monitor concentration levels of our counterparties as specified in our internal policies. Our reliance on other financial services institutions exposes us to credit risk in the event of default by these institutions or counterparties. These losses could adversely affect our results of operations and financial condition.

Changes to LIBOR may adversely impact the value of, and the return on, our loans, investment securities and derivatives which are indexed to LIBOR.

On July 27, 2017, the U.K. Financial Conduct Authority, which regulates LIBOR, announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR to the LIBOR administrator after 2021. The announcement also indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Consequently, at this time, it is not possible to predict whether and to what extent banks will continue to provide LIBOR submissions to the LIBOR administrator or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. Similarly, it is not possible to predict whether LIBOR will continue to be viewed as an acceptable benchmark for certain loans and liabilities including our subordinated notes, what rate or rates may become accepted alternatives to LIBOR or the effect of any such changes in views or alternatives on the values of the loans and liabilities, whose interest rates are tied to LIBOR. ICE Benchmark Administration ("IBA"), the authorized and regulated administrator of LIBOR recently announced it would consult on its plans for the discontinuation of

LIBOR. IBA intends to end publication of some LIBOR tenors on December 31, 2021 and the remaining LIBOR tenors in June 2023. Financial services regulators and industry groups have collaborated to develop alternate reference rate indices or reference rates. The transition to a new reference rate requires changes to contracts, risk and pricing models, valuation tools, systems, product design and hedging strategies.

Uncertainty as to the nature of such potential changes, alternative reference rates, the elimination or replacement of LIBOR, or other reforms may adversely affect the value of, and the return on our loans, and our investment securities.

Interest Rate and Asset Quality

Future Changes in Interest Rates Could Reduce Our Profits.

Our ability to make a profit largely depends on our net interest income, which could be negatively affected by changes in interest rates. Net interest income is the difference between:

1. the interest income we earn on our interest-earning assets, such as loans and securities; and
2. the interest expense we pay on our interest-bearing liabilities, such as deposits and borrowings.

The rates we earn on our assets and the rates we pay on our liabilities are generally fixed for a contractual period of times. Like many banks, our liabilities generally have shorter contractual maturities than our assets. This imbalance can create significant earnings volatility, as market interest rates change over time. In a period of declining interest rates, the interest income earned on our assets may decrease more rapidly than the interest paid on our liabilities, as borrowers speed up prepayments of mortgage loans, and mortgage-backed securities and callable investment securities are called, requiring us to reinvest those cash flows at lower interest rates. In a period of rising interest rates, the interest income earned on our assets may not increase as rapidly as the interest paid on our liabilities. Furthermore, increases in interest rates may adversely affect our ability to originate loans and/or 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.

In addition, changes in interest rates can affect the average life of loans and mortgage-backed and related securities. A reduction in interest rates results in increased prepayments of loans and mortgage-backed and related securities, as borrowers refinance their loans in order to reduce their borrowing costs. This creates reinvestment risk, which is the risk that we may not be able to reinvest prepayments at rates that are comparable to the rates we earned on the prepaid loans or securities. Alternatively, increases in interest rates may decrease loan demand and/or make it more difficult for borrowers to repay adjustable rate loans.

Changes in interest rates also affect the current market value of our interest-earning securities portfolio. Generally, the value of securities moves inversely with changes in interest rates. At September 30, 2021, the fair value of our investment securities available for sale totaled $240.6 million. Unrealized net gains on these available for sale securities totaled approximately $2.5 million at September 30, 2021 and are reported as a separate component of stockholders' equity. Decreases in the fair value of securities available for sale in future periods would have an adverse effect on stockholders' equity.

We evaluate interest rate sensitivity by estimating the change in the Bank's Economic Value of Equity ("EVE") over a range of interest rate scenarios. EVE is the net present value of the Company's asset cash flows minus the net present value of the Company's liability cash flows. At September 30, 2021, in the event of an immediate 200 basis point increase in interest rates, the Company's model projects that we would experience a $8.9 million, or 2.5%, increase in net portfolio value. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Management of Market Risk."

Our Continued Emphasis on Commercial Real Estate Lending Increases Our Exposure to Increased Lending Risks.

Our business strategy centers on continuing our emphasis on commercial real estate lending. We have grown our loan portfolio in recent years with respect to this type of loan and intend to continue to emphasize this type of lending. At September 30, 2021, $591.1 million, or 43.4%, of our total loan portfolio consisted of commercial real estate loans. Loans secured by commercial real estate generally expose a lender to greater risk of non-payment and loss than one- to four-family residential mortgage loans because repayment of the commercial real estate loans often depends on the successful operation of the property and the income stream of the underlying property. Additionally, such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential mortgage loans. Accordingly, an adverse development with respect to one loan or one credit relationship can expose us to greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan. We seek to minimize these risks through our underwriting policies, which require such loans to be qualified on the basis of the property's collateral value, net income and debt service ratio; however, there is no assurance that our underwriting policies will protect us from credit-related losses.

At September 30, 2021, our largest commercial real estate lending relationship was $15.7 million of loans located in Lehigh County, Pennsylvania and secured by real estate. These loans were performing in accordance with its repayment terms. See “Item 1. Business—Lending Activities—Commercial Real Estate Loans.”

Increases to the Allowance for Credit Losses May Cause Our Earnings to Decrease.

Our customers may not repay their loans according to the original terms, and the collateral securing the payment of those loans may be insufficient to pay any remaining loan balance. In addition, the estimates used to determine the fair value of such loans as of the acquisition date may be inconsistent with the actual performance of the acquired loans. Hence, we may experience significant credit losses, which could have a material adverse effect on our operating results. 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 loans. In determining the amount of the allowance for credit losses, we rely on loan quality reviews, past loss experience, and an evaluation of economic conditions, among other factors. If our assumptions prove to be incorrect, our allowance for credit losses may not be sufficient to cover losses inherent in our loan portfolio, resulting in additions to the allowance. Material additions to the allowance would materially decrease our net income.

Our emphasis on the origination of commercial real estate and business loans is one of the more significant factors in evaluating our allowance for credit losses. As we continue to increase the amount of these loans, additional or increased provisions for credit losses may be necessary and as a result would decrease our earnings.

Regulatory Matters

A new accounting standard may require us to increase our allowance for loan losses and may have a material adverse effect on our financial condition and results of operations.

The Financial Accounting Standards Board has adopted a new accounting standard that will be effective for our first fiscal year after December 15, 2022. This standard, referred to as Current Expected Credit Loss, or CECL, will require financial institutions to determine periodic estimates of lifetime expected credit losses on loans, and recognize the expected credit losses as allowances for credit losses. This will change the current method of providing allowances for credit losses that are probable, which may require us to increase our allowance for loan losses, and may greatly increase the types of data we would need to collect and review to determine the appropriate level of the allowance for credit losses.

Bank regulators periodically review our allowance for credit losses and may require us to increase our provision for credit losses or loan charge-offs. Any increase in our allowance for credit losses or loan charge-offs as required by these regulatory authorities could have a material adverse effect on our results of operations and/or financial condition.

We Operate in a Highly Regulated Environment and May Be Adversely Affected by Changes in Laws and Regulations.

We are subject to extensive regulation, supervision, and examination by the Federal Reserve Board, the FDIC and the Department. Such regulators govern the activities in which we may engage, primarily for the protection of depositors. These regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the imposition of restrictions on the operation of a bank, the classification of assets by a bank, the imposition of higher capital requirements, and the adequacy of a bank’s allowance for credit losses. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, or legislation, could have a material impact on us and our operations. We believe that we are in substantial compliance with applicable federal, state and local laws, rules and regulations. Because our business is highly regulated, the laws, rules and applicable regulations are subject to regular modification and change. There can be no assurance that proposed laws, rules and regulations, or any other laws, rules or regulations, will not be adopted in the future, which could make compliance more difficult or expensive or otherwise adversely affect our business, financial condition or prospects.

Security

Risks Associated with System Failures, Interruptions, Or Breaches of Security Could Negatively Affect Our Earnings.

Information technology systems are critical to our business. We use various technology systems to manage our customer relationships, general ledger, securities investments, deposits, and loans. We have established policies and procedures to prevent or limit the impact of system failures, interruptions, and security breaches (including privacy breaches), but such events may still occur or may not be adequately addressed if they do occur. In addition, any compromise of our systems could deter customers from using our products and services. Although we rely on security systems to provide security and authentication necessary to effect the secure transmission of data, these precautions may not protect our systems from compromises or breaches of security.

In addition, we outsource a majority of our data processing to certain third-party providers. If these third-party providers encounter difficulties, or if we have difficulty communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely affected. Threats to information security also exist in the processing of customer information through various other vendors and their personnel.

The occurrence of any system failures, interruption, or breach of security could damage our reputation and result in a loss of customers and business thereby subjecting us to additional regulatory scrutiny, or could expose us to litigation and possible financial liability. Any of these events could have a material adverse effect on our financial condition and results of operations.

Risks Associated with Cyber-Security Could Negatively Affect Our Earnings.

The financial services industry has experienced an increase in both the number and severity of reported cyber-attacks aimed at gaining unauthorized access to bank systems as a way to misappropriate assets and sensitive information, corrupt and destroy data, or cause operational disruptions.

We have established policies and procedures to prevent or limit the impact of security breaches, but such events may still occur or may not be adequately addressed if they do occur. Although we rely on security safeguards to secure our data, these safeguards may not fully protect our systems from compromises or breaches.

We also rely on the integrity and security of a variety of third-party processors, payment, clearing and settlement systems, as well as the various participants involved in these systems, many of which have no direct relationship with us. Failure by these participants or their systems to protect our customers' transaction data may put us at risk for possible losses due to fraud or operational disruption.

Our customers are also the target of cyber-attacks and identity theft. Large scale identity theft could result in customers' accounts being compromised and fraudulent activities being performed in their name. We have implemented certain safeguards against these types of activities but they may not fully protect us from fraudulent financial losses.

The occurrence of a breach of security involving our customers' information, regardless of its origin, could damage our reputation and result in a loss of customers and business and subject us to additional regulatory scrutiny, and could expose us to litigation and possible financial liability. Any of these events could have a material adverse effect on our financial condition and results of operations.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The following table provides certain information as of September 30, 2021 with respect to our main office located in Stroudsburg, Pennsylvania, and our 21 full service branch offices.

Location	Leased or Owned	Year Acquired or Leased	Square Footage
Main Office:			
200 Palmer Street Stroudsburg, PA 18360	Owned	2003	36,000
Full Service Branches:			
249 Route 940 Blakeslee, PA 18610	Owned	2002	2,688
1881 Route 209 Brodheadsville, PA 18322	Owned	1983	4,100
75 Washington Street East Stroudsburg, PA 18301	Owned	1966	3,300
5120 Milford Rd. East Stroudsburg, PA 18302	Owned	2014	3,610
744 Main Street Stroudsburg, PA 18360	Owned	1985	12,000
Tannersville Plaza 2826 Route 611 Tannersville, PA 18372	Owned	2007	2,500
975 Route 390 Cresco, PA 18326	Owned	2010	2,912
418 West Broad Street Bethlehem, PA 18018	Owned	2012	4,500
358 South Walnut Street Bath, PA 18014	Leased	2012	2,000
2415 Park Avenue Easton, PA 18045	Owned	2012	3,460
76 South Main Street Nazareth, PA 18064	Leased	2012	2,746
600 Hamilton Street Suite 100 Allentown, PA 18101	Leased	2018	6,780
11 North Main Street Alburtis, PA 18011	Owned	2012	2,091
1430 Jacobsburg Road Wind Gap, PA 18091	Leased	2012	1,400
526 Wood Street Bethlehem, PA 18018	Leased	2012	200
1065 Highway 315 Wilkes Barre, PA 18702	Leased	2014	3,287

300 Mulberry Street Scranton, PA 18503	Leased	2014	2,114
8045 West Chester Pike Upper Darby, PA 19082	Leased	2015	4,000
354 West Lancaster Avenue Haverford, PA 19041	Leased	2015	3,128
48 West Marshall Road Lansdowne, PA 19050	Owned	2015	2,555
227 West Lancaster Avenue Devon, PA 19333	Leased	2015	2,226
Other Properties			
746-752 Main Street Stroudsburg, PA 18360	Owned	2005	4,650
Plymouth Meeting Road, Suite 101 Plymouth Meeting, PA 19462	Leased	2016	4,389
190 Brodhead Road, Suite 200 Bethlehem, PA 18017	Leased	2017	6,909

The net book value of our premises, land and equipment was $13.6 million at September 30, 2021.

Item 3. Legal Proceedings

The Company and its subsidiaries are subject to various legal actions arising in the normal course of business. In the opinion of Management, the resolution of these legal actions is not expected to have a material adverse effect on the Company's results of operations.

The Bank was named as a defendant in an action commenced on December 8, 2016 by one plaintiff who will also seek to pursue this action as a class action on behalf of the entire class of people similarly situated. The plaintiff alleges that a bank previously acquired by ESSA Bancorp received unearned fees and kickbacks in the process of making loans, in violation of the Real Estate Settlement Procedures Act. In an order dated January 29, 2018, the district court granted the Bank's motion to dismiss the case. The plaintiff appealed the court's ruling. In an opinion and order dated April 26, 2019, the appellate court reversed the district court's order dismissing the plaintiff's case against the Bank, and remanded the case back to the district court in order to continue the litigation. The litigation is now proceeding before the district court. On December 9, 2019, the court permitted an amendment to the complaint to add two new plaintiffs to the case asserting similar claims. On May 21, 2020, the court granted the plaintiffs' motion for class certification. In an order dated November 24, 2020, the court referred the case to a Magistrate Judge to assist in mediation efforts. The case was stayed while the parties explored the potential for a negotiated resolution. The parties engaged in mediation but did not resolve the matter. The parties are now in the discovery process. The Bank will continue to defend against plaintiffs' allegations. To the extent that this matter could result in exposure to the Bank, the amount of such exposure is not currently estimable.

On May 29, 2020, the Bank was named as a defendant in a second action commenced by three plaintiffs who will also seek to pursue this action as a class action on behalf of the entire class of people similarly situated. The plaintiffs allege that a bank previously acquired by ESSA Bancorp received unearned fees and kickbacks from a different title company than the one involved in the previously discussed litigation in the process of making loans. The original complaint alleged violations of the Real Estate Settlement Procedures Act, the Sherman Act, and the Racketeer Influenced and Corrupt Organizations Act ("RICO"). The plaintiffs filed an Amended Complaint on September 30, 2020 that dropped the RICO claim, but they are continuing to pursue the Real Estate Settlement Procedures Act and Sherman Act claims. The Bank moved to dismiss the Sherman Act claim on October 14, 2020, and that motion was denied on April 2, 2021. The parties are now in the discovery process. The Bank will continue to defend against plaintiffs' allegations. To the extent that this matter could result in exposure to the Bank, the amount of such exposure is not currently estimable.

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

The Company's shares of common stock are traded on the Nasdaq Global Market under the symbol "ESSA." The approximate number of holders of record of ESSA Bancorp's common stock as of September 30, 2021 was 1,691. Certain shares of ESSA Bancorp are held in "nominee" or "street" name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number.

The Board of Directors has the authority to declare cash dividends on shares of common stock, subject to statutory and regulatory requirements. In determining whether and in what amount to pay a cash dividend in the future, the Board takes into account a number of factors, including capital requirements, our consolidated financial condition and results of operations, tax considerations, statutory and regulatory limitations and general economic conditions. No assurances can be given that cash dividends will not be reduced or eliminated in the future.

The sources of funds for the payment of a cash dividend are interest and principal payments with respect to ESSA Bancorp loan to the Employee Stock Ownership Plan, and dividends from the Bank. For a discussion of the limitations applicable to the Bank's ability to pay dividends, see "Item 1. Business—Supervision and Regulation."

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
July 1, 2021 through July 31, 2021	77,754	$ 16.23	77,754	22,031
August 1, 2021 through August 31, 2021	9,587	16.72	9,587	12,444
September 1, 2021 through September 31, 2021	12,444	16.99	12,444	-
Total	99,785	$ 16.58	99,785	

On August 25, 2020 the Company announced that its Board of Directors had approved a ninth stock repurchase program for up to 500,000 shares of its common stock. The Company completed its purchase of shares pursuant to this plan during the fiscal year ended September 30, 2021. The Company may repurchase the shares from time to time through open market purchases, privately negotiated stock transactions or in any other manner that is compliant with applicable securities law.

Item 6. Selected Financial Data

The following information is derived from the audited consolidated financial statements of ESSA Bancorp. 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 and related notes included elsewhere in this Annual Report on Form 10-K.

	At September 30,				
	2021	2020	2019	2018	2017
			(In thousands)		
Selected Financial Condition Data:					
Total assets	$ 1,861,436	$ 1,893,515	$ 1,799,427	$ 1,833,790	$ 1,785,218
Cash and cash equivalents	158,946	155,917	52,242	43,539	41,683
Investment securities:					
Available for sale	240,581	212,484	313,393	371,438	390,452
Held to maturity	21,483	-	-	-	-
Loans, net	1,340,853	1,417,974	1,328,653	1,305,071	1,236,681
Regulatory stock	4,651	7,344	11,579	12,973	13,832
Premises and equipment	13,605	14,230	14,335	14,601	16,234
Bank owned life insurance	37,481	40,546	39,601	38,630	37,626
Deposits	1,636,115	1,543,696	1,342,830	1,336,855	1,274,861
Borrowed funds	-	125,877	248,282	298,496	311,614
Equity	201,822	191,397	189,508	179,186	182,727

	For the Years Ended September 30,				
	2021	2020	2019	2018	2017
	(In thousands, except per share data)				
Selected Results of Operations Data:					
Interest income	$ 58,687	$ 64,072	$ 67,759	$ 64,503	$ 58,318
Interest expense	5,793	15,865	20,749	16,268	12,799
Net interest income	52,894	48,207	47,010	48,235	45,519
Provision for loan losses	2,700	3,275	2,076	4,000	3,350
Net interest income after provision for loan losses	50,194	44,932	44,934	44,235	42,169
Non-interest income	11,493	13,255	8,157	7,813	8,199
Non-interest expense	41,790	40,588	38,053	39,853	41,438
Income before income tax expense	19,897	17,599	15,038	12,195	8,930
Income tax expense	3,473	3,183	2,415	5,664	1,591
Net income	$ 16,424	$ 14,416	$ 12,623	$ 6,531	$ 7,339
Earnings per share					
Basic	$ 1.65	$ 1.39	$ 1.18	$ 0.60	$ 0.69
Diluted	$ 1.65	$ 1.39	$ 1.18	$ 0.60	$ 0.69

	At or For the Years Ended September 30,				
	2021	2020	2019	2018	2017
Selected Financial Ratios and Other Data:					
Performance Ratios:					
Return on average assets	0.87%	0.76%	0.69%	0.36%	0.42%
Return on average equity	8.28%	7.43%	6.80%	3.61%	4.11%
Interest rate spread (1)	2.86%	2.49%	2.50%	2.71%	2.69%
Net interest margin (2)	2.96%	2.68%	2.73%	2.85%	2.77%
Efficiency ratio (3)	64.49%	65.80%	68.42%	71.11%	77.14%
Noninterest expense to average total assets	2.22%	2.14%	2.09%	2.20%	2.35%
Average interest-earning assets to average interest-bearing liabilities	128.42%	122.54%	119.05%	116.30%	115.99%
Asset Quality Ratios:					
Non-performing assets as a percent of total assets	0.88%	1.09%	0.57%	0.64%	0.88%
Non-performing loans as a percent of total loans	1.17%	1.42%	0.75%	0.80%	1.14%
Allowance for loan losses as a percent of non-performing loans	114.16%	75.75%	125.52%	111.20%	65.66%
Allowance for loan losses as a percent of total loans	1.33%	1.07%	0.94%	0.89%	0.75%
Capital Ratios:					
Total risk-based capital (to risk weighted assets) (4)	14.47%	13.74%	14.00%	13.59%	13.96%
Common equity Tier 1 capital (to risk weighted assets) (4)	13.22%	12.64%	13.03%	12.70%	13.18%
Tier 1 risk-based capital (to risk weighted assets) (4)	13.22%	12.64%	13.03%	12.70%	13.18%
Tangible capital (to tangible assets)	10.05%	9.08%	9.67%	9.28%	9.19%
Tier 1 leverage (core) capital (to adjusted tangible assets) (4)	10.05%	9.08%	9.67%	9.28%	9.19%
Average equity to average total assets	10.84%	10.11%	10.53%	9.96%	10.13%
Other Data:					
Number of full service offices	21	22	22	22	25

(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.

(3) The efficiency ratio represents non-interest expense divided by the sum of net interest income and non-interest income.

(4) Ratios are for the Bank and do not include capital retained at the holding company level.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Strategy

Our business strategy is to grow and improve our profitability by:

- Increasing customer relationships through the offering of excellent service and the distribution of that service through effective delivery systems;
- Continuing to transform into a full service community bank by meeting the financial services needs of our customers;
- Continuing to develop into a high performing financial institution, in part by increasing net interest and fee income and managing operating expenses efficiently;
- Remaining within our risk management parameters; and
- Employing affordable technology to increase profitability and improve customer service.

We intend to continue to pursue our business strategy, subject to changes necessitated by future market conditions and other factors. We also intend to continue focusing on the following:

- ***Increasing customer relationships through a continued commitment to service and enhancing products and delivery systems.*** We will continue to increase customer relationships by focusing on customer satisfaction with regard to service, products, systems and operations. We have upgraded and expanded certain of our facilities, including our corporate center and added additional facilities to provide additional capacity to manage future growth and expand our delivery systems.
- ***Continuing to develop into a high performing financial institution.*** We will continue to enhance profitability by focusing on increasing non-interest income as well as increasing commercial products, including commercial real estate lending, which often have a higher profit margin than more traditional products. We also will pursue lower-cost commercial deposits as part of this strategy.
- ***Remaining within our risk management parameters.*** We place significant emphasis on risk management and compliance training for all of our directors, officers and employees. We focus on establishing regulatory compliance programs to determine the degree of such compliance and to maintain the trust of our customers and community.
- ***Employing cost-effective technology to increase profitability and improve customer service.*** We will continue to upgrade our technology in an efficient manner. We have implemented new software for marketing purposes and have upgraded both our internal and external communication systems.
- ***Continuing our emphasis on commercial real estate lending to improve our overall performance.*** We intend to continue to emphasize the origination of higher interest rate margin commercial real estate loans as market conditions, regulations and other factors permit. We have expanded our commercial banking capabilities by adding experienced commercial bankers, and enhancing our direct marketing efforts to local businesses.
- ***Expanding our banking franchise through branching and acquisitions.*** We will attempt to use our stock holding company structure to expand our market footprint through *de novo* branching as well as through additional acquisitions of banks, savings institutions and other financial service providers in our primary market area. We will also consider establishing *de novo* branches or acquiring additional financial institutions in contiguous counties. We will continue to review and assess locations for new branches both within Monroe County and the counties around Monroe. There can be no assurance that we will be able to consummate any new acquisitions or establish any additional new branches. We may continue to explore acquisition opportunities involving other banks and thrifts, and possibly financial service companies, when and as they arise, as a means of supplementing internal growth, filling gaps in our current geographic market area and expanding our customer base, product lines and internal capabilities, although we have no current plans, arrangements or understandings to make any acquisitions.
- ***Maintaining the quality of our loan portfolio.*** Maintaining the quality of our loan portfolio is a key factor in managing our growth. We will continue to use customary risk management techniques, such as independent internal and external loan reviews, risk-focused portfolio credit analysis and field inspections of collateral in overseeing the performance of our loan portfolio.

Critical Accounting Policies

We consider accounting policies that require management to exercise significant judgment or discretion or make significant assumptions 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 the following to be our critical accounting policies:

Allowance for Loan Losses. The allowance for loan losses is the estimated amount considered necessary to cover credit losses inherent in the loan portfolio at the balance sheet date. The allowance is established through the provision for loan losses which is charged against income. In determining the allowance for loan losses, management makes significant estimates and has identified this policy as one of our most critical. The methodology for determining the allowance for loan losses is considered a critical accounting policy by management due to the high degree of judgment involved, the subjectivity of the assumptions utilized and the potential for changes in the economic environment that could result in changes to the amount of the recorded allowance for loan losses.

As a substantial amount of our loan portfolio is collateralized by real estate, appraisals of the underlying value of property securing loans and discounted cash flow valuations of properties are critical in determining the amount of the allowance required for specific loans. Assumptions for appraisals and discounted cash flow valuations are instrumental in determining the value of properties. Overly optimistic assumptions or negative changes to assumptions could significantly impact the valuation of a property securing a loan and the related allowance determined. The assumptions supporting such appraisals and discounted cash flow valuations are carefully reviewed by management to determine that the resulting values reasonably reflect amounts realizable on the related loans.

Management performs a quarterly evaluation of the adequacy of the allowance for loan losses. Consideration is given to a variety of factors in establishing this estimate including, but not limited to, current economic conditions, delinquency statistics, geographic and industry concentrations, the adequacy of the underlying collateral, the financial strength of the borrower, results of internal and external loan reviews and other relevant factors. This evaluation is inherently subjective, as it requires material estimates that may be susceptible to significant revision based on changes in economic and real estate market conditions.

The analysis of the allowance for loan losses has two components: specific and general allocations. Specific allocations are made for loans that are determined to be impaired. Impairment is measured by determining the present value of expected future cash flows or, for collateral-dependent loans, the fair value of the collateral adjusted for market conditions and selling expenses. The general allocation is determined by segregating the remaining loans by type of loan, risk weighting (if applicable) and payment history. We also analyze historical loss experience, delinquency trends, general economic conditions and geographic and industry concentrations. This analysis establishes factors that are applied to the loan groups to determine the amount of the general allocations. Actual loan losses may be significantly more than the allowance for loan losses we have established which could have a material negative effect on our financial results.

Goodwill and Intangible Assets. Goodwill is not amortized, but it is tested at least annually for impairment in the fourth quarter, or more frequently if indicators of impairment are present. If the estimated current fair value of a reporting unit exceeds its carrying value, no additional testing is required and an impairment loss is not recorded. The Company uses market capitalization and multiples of tangible book value methods to determine the estimated current fair value of its reporting unit. Based on this analysis, no impairment was recorded in fiscal 2021 or fiscal 2020.

The other intangibles assets are assigned useful lives, which are amortized on an accelerated basis over their weighted-average lives. The Company periodically reviews the intangible assets for impairment as events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. Based on these reviews, no impairment was recorded in fiscal 2021 or fiscal 2020.

Derivative Instruments and Hedging Activities. The Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

Employee Benefit Plans. The Bank maintains a noncontributory, defined benefit pension plan for all employees who have met age and length of service requirements. The Bank also maintains a defined contribution Section 401(k) plan covering eligible employees. The Company created an employee stock ownership plan ("ESOP") for the benefit of employees who meet certain eligibility requirements. The Company makes cash contributions to the ESOP on an annual basis.

The Company maintains an equity incentive plan to provide for issuance or granting of shares of common stock for stock options or restricted stock. The Company has recorded stock-based employee compensation cost using the fair value method as allowed under generally accepted accounting principles. Management estimated the fair values of all option grants using the Black-Scholes option-pricing model. Management estimated the expected life of the options using the simplified method as allowed under generally accepted accounting principles. The risk-free rate was determined utilizing the treasury yield for the expected life of the option contract.

Fair Value Measurements. We group our assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level I – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level II – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level III – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's own estimates of assumptions that market participants would use in pricing the asset.

We base our fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is our policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy in generally accepted accounting principles.

Fair value measurements for most of our assets are obtained from independent pricing services that we have engaged for this purpose. When available, we, or our independent pricing service, use quoted market prices to measure fair value. If market prices are not available, fair value measurement is based upon models that incorporate available trade, bid, and other market information. Subsequently, all of our financial instruments use either of the foregoing methodologies to determine fair value adjustments recorded to our financial statements. In certain cases, however, when market observable inputs for model-based valuation techniques may not be readily available, we are required to make judgments about assumptions market participants would use in estimating the fair value of financial instruments. The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value. When observable market prices and parameters are not fully available, management judgment is necessary to estimate fair value. In addition, changes in the market conditions may reduce the availability of quoted prices or observable data. When market data is not available, we use valuation techniques requiring more management judgment to estimate the appropriate fair value measurement. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future valuations.

Other-than-Temporary Investment Security Impairment. Securities are evaluated periodically to determine whether a decline in their value is other-than-temporary. Management utilizes criteria such as the magnitude and duration of the decline, in addition to the reasons underlying the decline, to determine whether the loss in value is other-than-temporary. The term "other-than-temporary" is not intended to indicate that the decline is permanent, but indicates that the prospect for a near-term recovery of value is not necessarily favorable, or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of the investment. Once a decline in value is determined to be other-than-temporary, the value of the security is reduced and a corresponding charge to earnings is recognized.

Deferred Income Taxes. 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. 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. If current available information raises doubt as to the realization of the deferred tax assets, a valuation allowance is established. We consider the determination of this valuation allowance to be a critical accounting policy because of the need to exercise significant judgment in evaluating the amount and timing of recognition of deferred tax liabilities and assets, including projections of future taxable income. These judgments and estimates are reviewed on a continual basis as regulatory and business factors change. A valuation allowance for deferred tax assets may be required if the amount of taxes recoverable through loss carryback declines, or if we project lower levels of future taxable income. Such a valuation allowance would be established through a charge to income tax expense which would adversely affect our operating results.

Comparison of Financial Condition at September 30, 2021 and September 30, 2020

Total Assets. Total assets decreased $32.1 million, or 1.7%, to $1.9 billion at September 30, 2021, compared to September 30, 2020.

Cash and Due from Banks. Cash and due from banks increased $45.4 million, or 44.8%, to $146.8 million at September 30, 2021 from $101.4 million at September 30, 2020. The primary reason for the increase was forgiveness and repayment of PPP loans.

Interest-Bearing Deposits with Other Institutions. Interest-bearing deposits with other institutions decreased $42.4 million, or 77.79%, to $12.1 million at September 30, 2021 from $54.5 million at September 30, 2020. The primary reason for the decrease was a shift of funds to cash and due from banks.

Investment Securities Available for Sale and Held to Maturity. Investment securities available for sale increased $28.1 million, or 13.2%, to $240.6 million at September 30, 2021 from $212.5 million at September 30, 2020. The increase was due primarily to increases in US government Treasury securities of $75.0 million and corporate securities of $7.1 million, which were offset in part by decreases in US government agency securities of $6.0 million, US government mortgage backed securities of $36.4 million, obligations of states and political subdivisions of $8.6 million and other debt securities of $3.0 million. The Company had $21.5 million in US government mortgage backed securities which were classified as held to maturity at September 30, 2021.

Net Loans. Net loans decreased $77.1 million, or 5.5%, to $1.3 billion at September 30, 2021 from September 30, 2020. The primary reasons for the decrease were decreases in residential real estate loans, commercial loans, obligations of states and political subdivisions, auto loans, home equity loans and lines of credit and other loans, offset in part by increases in commercial real estate loans and construction loans. Commercial real estate loans increased by $81.5 million to $591.1 million at September 30, 2021 from $509.6 million at September 30, 2020. Commercial loans decreased $76.1 million to $63.5 million at September 30, 2021 from $139.6 million at September 30, 2020 due primarily declines in PPP loans of $54.1 million. Obligations of states and political subdivisions decreased by $23.1 million to $56.2 million at September 30, 2021 from $79.2 million at September 30, 2020. One- to four-family loans decreased by $29.9 million to $580.3 million at September 30, 2021 from $610.2 million at September 30, 2020. The Company sold $67.5 million in one- to four-family mortgage loans to the Federal Home Loan Bank of Pittsburgh during the fiscal year. Home equity loans and lines of credit decreased by $2.4 million to $38.4 million at September 30, 2021 from $40.8 million at September 30, 2020. Auto loans decreased $25.9 million to $13.9 million at September 30, 2021 from $39.8 million at September 30, 2020. The Company discontinued indirect auto lending in July 2018.

Deposits. Deposits increased by $92.4 million, or 6.0%, to $1.6 billion at September 30, 2021, primarily as a result of increases in interest bearing demand accounts, money market accounts, savings accounts and non-interest bearing demand accounts partially offset by a decrease in certificates of deposit. Overall, the changes in deposits at September 30, 2021 compared to September 30, 2020 included an increase in non-interest bearing demand accounts of $15.1 million, or 6.2%, an increase in interest bearing demand accounts of $276.4 million, or 100.6%, an increase in money market accounts of $26.4 million, or 6.6%, an increase in savings and club accounts of $28.0 million, or 17.4%, and a decrease in certificates of deposit of $253.6 million, or 54.7%. Included in the certificates of deposit was an increase of $6.8 million, or 3.1%, in brokered certificates of deposit. At September 30, 2021, the Company had $225.0 million of brokered certificates of deposit outstanding.

Borrowed Funds. Borrowed funds, short term and other, decreased $125.9 million, or 100.0%, to zero at September 30, 2021 from $125.9 million at September 30, 2020. All borrowed funds are from the FHLB.

Stockholders' Equity. Stockholders' equity increased by $10.4 million, or 5.5%, to $201.8 million at September 30, 2021 from $191.4 million at September 30, 2020. The increase was primarily due to net income of $16.4 million and other comprehensive income of $4.7 million partially offset by cash dividends paid of $4.7 million and common stock repurchases of $7.1 million.

Comparison of Operating Results for the Years Ended September 30, 2021 and September 30, 2020

Net Income. Net income increased by $2.0 million, or 13.9%, to $16.4 million for the fiscal year ended September 30, 2021 from $14.4 million for the fiscal year ended September 30, 2020. The increase was primarily due to a decrease in interest expense and a decrease in the provision for loan losses partially offset by a decrease in interest income, a decrease in noninterest income, and an increase in noninterest expense and an increase in income taxes.

Net Interest Income. Net interest income increased by $4.7 million, or 9.7%, to $52.9 million for fiscal year 2021 from $48.2 million for fiscal year 2020, primarily due to the decreases in interest expense from deposits and short-term borrowings, partially offset by the decrease in total interest income.

Interest Income. Interest income decreased $5.4 million, or 8.4%, to $58.7 million for fiscal year 2021 from $64.1 million for fiscal year 2020. The decrease resulted from a decrease of 28 basis points in the overall yield on interest earning assets to 3.28% from 3.57%, which had the effect of decreasing interest income by $3.3 million. Also contributing to the decrease was an $8.8 million decrease in average interest earning assets, which had the effect of decreasing interest income by $2.1 million. The decrease in average interest earning assets during 2021 compared to 2020 included decreases in average mortgage backed securities of $122.7 million and average FHLB stock of $8.6 million. These decreases were partially offset by increases in average loans of $6.4 million, average other assets of $105.4 million and average investment securities of $10.7 million. The average yield on loans decreased to 3.91% for the fiscal year 2021, from 4.01% for the fiscal year 2020. The average yields on investment securities decreased to 2.78% from 3.56% and the average yields on mortgage backed securities decreased to 1.55% for 2021 from 2.11% for the 2020 period.

Interest Expense. Interest expense decreased $10.1 million, or 63.5%, to $5.8 million for fiscal year 2021 from $15.9 million for fiscal year 2020. The decrease in interest expense resulted from a 66 basis point decrease in the overall cost of interest bearing liabilities to 0.42% for fiscal 2021 from 1.08% for fiscal 2020 which had the effect of decreasing interest expense by $6.9 million along with a decrease in average interest bearing liabilities which had the effect of decreasing interest expense by $3.2 million. For fiscal 2021, average borrowed funds decreased $266.4 million compared to fiscal 2020. Average savings and club accounts increased by $31.6 million, average interest bearing demand deposit accounts increased $49.5 million, average money market accounts increased $51.8 million and average certificates of deposit decreased $59.5 million. The cost of money market accounts decreased to 0.16% for fiscal year 2021 from 0.73% for fiscal year 2020. The cost of interest bearing demand deposit accounts decreased to 0.10% for fiscal year 2021 from 0.29% for fiscal year 2020. The cost of savings and club accounts decreased to 0.05% for fiscal 2021 from 0.06% for fiscal 2020. The cost of certificates of deposit decreased to 0.86% from 1.57% and the cost of borrowed funds decreased to 1.86% from 1.87% for fiscal years 2021 and 2020, respectively.

Provision for Loan Losses. The Company establishes provisions for loan losses, which are charged to earnings, at a level necessary to absorb known and inherent losses that are both probable and reasonably estimable at the date of the financial statements. In evaluating the level of the allowance for loan losses, management considers historical loss experience, the types of loans and the amount of loans in the loan portfolio, adverse situations that may affect the borrower’s ability to repay, the estimated value of any underlying collateral, peer group information and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available or as future events occur. After an evaluation of these factors, the Company made a provision of $2.7 million for fiscal year 2021 compared to a $3.3 million provision for the 2020 fiscal year. The allowance for loan losses was $18.1 million, or 1.33% of loans outstanding, at September 30, 2021, compared to $15.4 million, or 1.07% of loans outstanding, at September 30, 2020. As the economic effects continue to evolve due to COVID-19 restrictions, our customers may experience decreased cash flows, which may correlate to an inability to make timely loan payments. This, in turn may require further increases in our allowance for loan losses and lead to increases in the level of charge-offs in our loan portfolio.

Determining the amount of the allowance for loan losses necessarily involves a high degree of judgment. Management reviews the level of the allowance on a quarterly basis, and establishes the provision for loan losses based on the factors set forth in the preceding paragraph. Historically, the Bank’s loan portfolio has consisted primarily of one- to four-family residential mortgage loans. However, our current business plan calls for increases in commercial real estate loan originations. As management evaluates the allowance for loan losses, the increased risk associated with larger non-homogenous commercial real estate may result in large additions to the allowance for loan losses in future periods. Loans secured by commercial real estate 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 property and the income stream of the underlying property. Additionally, such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential mortgage loans. Accordingly, an adverse development with respect to one loan or one credit relationship can expose us to greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan.

Although we believe that we use the best information available to establish the allowance for loan losses, future additions 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. In addition, the FDIC, as an integral part of its examination process, will periodically review our allowance for loan losses. This agency may require us to recognize adjustments to the allowance, based on its judgments about information available to it at the time of its examination.

Non-Interest Income. Non-interest income decreased $1.8 million, or 13.3%, to $11.5 million for the year ended September 30, 2021, from $13.3 million for the comparable 2020 period. The decrease was primarily due to decreases in gain on sale of investments, net of $2.5 million, loan swap fees of $642,000, earnings on bank owned life insurance of $90,000 and insurance commissions of $186,000. These decreases were offset, in part, by increases in service fees on deposit accounts of $167,000, service charges and fees on loans of $476,000, gain on sale of loans, net of $707,000, trust and investment fees of $150,000 and other noninterest income of $100,000. Gain on sale of investments, net included a one-time gain of $2.5 million related to a deleveraging strategy the Company executed in the fiscal fourth quarter of 2020. During the fourth quarter of fiscal 2020, the Company identified approximately $123.0 million of higher cost FHLB advances with a weighted average coupon of approximately 2.0%. The Company utilized the proceeds from the sale of approximately $89.0 million of investment securities along with approximately $34.0 million of cash to prepay the identified FHLB advances. The gain from the sale of the investment securities approximated the prepayment penalty for the prepayment of the FHLB advances.

Non-Interest Expense. Non-interest expense increased $1.2 million, or 3.0%, to $41.8 million for fiscal year 2021 from $40.6 million for the comparable period in 2020. The primary reasons for the increase in noninterest expense were increases in compensation and employee benefits of $2.0 million, occupancy and equipment of $137,000, professional fees of $201,000, data processing of $263,000, advertising of $155,000 FDIC insurance premiums of $364,000 and other expenses of $995,000. These increases were partially offset by decreases in prepayment on FHLB advances of $2.5 million and gain on foreclosed real estate of $623,000. Foreclosed real estate included a one-time deferred income credit related to a former foreclosed real estate property of $534,000. During the fourth quarter of fiscal 2020, the Company identified approximately $123.0 million of higher cost FHLB advances with a weighted average coupon of approximately 2.0%. The Company utilized the proceeds from the sale of approximately $89.0 million of investment securities along with approximately $34.0 million of cash to prepay the identified FHLB advances. The gain from the sale of the investment securities approximated the prepayment penalty for the prepayment of the FHLB advances.

Income Taxes. Income tax expense of $3.5 million was recognized for fiscal year 2021 compared to an income tax expense of $3.2 million recognized for fiscal year 2020. The effective tax rate for the year ended September 30, 2021 was 17.5% compared to 18.1% for the 2020 period.

Average Balance Sheets for the Years Ended September 30, 2021 and 2020

The following tables set forth average balance sheets, average yields and costs, and certain other information for the periods indicated. All average balances are daily average balances, the yields set forth below include the effect of deferred fees and discounts and premiums that are amortized or accreted to interest income.

	For the Years Ended September 30,					
	2021			2020		
	Average Balance	Interest Income/ Expense	Yield/ Cost	Average Balance	Interest Income/ Expense	Yield/ Cost
	(Dollars in thousands)					
Interest-earning assets:						
Loans [(1) (2)]	$1,394,498	$ 54,459	3.91%	$1,388,148	$ 55,668	4.01%
Investment securities						
Taxable [(3)]	80,254	2,255	2.81%	68,456	2,534	3.70%
Exempt from federal income tax [(3) (4)]	8,068	156	2.45%	9,128	181	2.51%
Total investment securities	88,322	2,411	2.78%	77,584	2,715	3.56%
Mortgage-backed securities	92,282	1,429	1.55%	215,007	4,547	2.11%
Regulatory stock	4,295	204	4.75%	12,938	820	6.34%
Other	208,964	184	0.09%	103,521	322	0.31%
Total interest-earning assets	1,788,361	58,687	3.28%	1,797,198	64,072	3.57%
Allowance for loan losses	(16,885)			(13,447)		
Noninterest-earning assets	114,232			113,916		
Total assets	$1,885,708			$1,897,667		
Interest-bearing liabilities:						
Interest bearing demand accounts	270,238	273	0.10%	220,770	639	0.29%
Money market accounts	409,568	667	0.16%	357,779	2,619	0.73%
Savings and club accounts	178,534	94	0.05%	146,935	83	0.06%
Certificates of deposit	515,937	4,488	0.87%	456,468	7,187	1.57%
Borrowed funds	18,310	271	1.48%	284,688	5,337	1.87%
Total interest-bearing liabilities	1,392,587	5,793	0.42%	1,466,640	15,865	1.08%
Non-interest bearing demand accounts	264,160			206,108		
Noninterest-bearing liabilities	30,686			30,816		
Total liabilities	1,687,433			1,703,564		
Equity	198,275			194,103		
Total liabilities and equity	$1,885,708			$1,897,667		
Net interest income		$ 52,894			$ 48,207	
Interest rate spread			2.86%			2.49%
Net interest-earning assets	$ 395,774			$ 330,558		
Net interest margin [(5)]			2.96%			2.68%
Average interest-earning assets to average interest-bearing liabilities		128.42%			122.54%	

(1) Non-accruing loans are included in the outstanding loan balances.
(2) Interest income on loans includes net amortized costs on loans totaling $204,000 in 2021 and $1.4 million in 2020.
(3) Held to maturity securities are reported as amortized cost. Available for sale securities are reported at fair value.
(4) Yields on tax exempt securities have been calculated on a fully tax equivalent basis assuming a tax rate of 21%.
(5) Represents the difference between interest earned and interest paid, divided by average total interest earning assets.

Rate/Volume Analysis

The following table presents the effects of changing rates and volumes on our net interest income for the years indicated. 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 prior rate). The net 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.

	For the Years Ended September 30, 2021 vs. 2020			For the Years Ended September 30, 2020 vs. 2019		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Volume	Rate	Net	Volume	Rate	Net
	(In thousands)					
Interest-earning assets:						
Loans	$ 272	$ (1,481)	$ (1,209)	$ 2,565	$ (3,419)	$ (854)
Investment securities	684	(988)	(304)	(34)	(189)	(223)
Mortgage-backed securities	(2,128)	(990)	(3,118)	(1,194)	(994)	(2,188)
Regulatory stock	(448)	(168)	(616)	3	(151)	(148)
Other	(455)	317	(138)	(391)	117	(274)
Total interest-earning assets	(2,075)	(3,310)	(5,385)	949	(4,636)	(3,687)
Interest-bearing liabilities:						
NOW accounts	190	(556)	(366)	123	(197)	(74)
Money market accounts	444	(2,396)	(1,952)	353	(1,725)	(1,372)
Savings and club accounts	11	-	11	12	-	12
Certificates of deposit	1,114	(3,813)	(2,699)	(714)	(1,746)	(2,460)
Borrowed funds	(4,143)	(923)	(5,066)	(162)	(828)	(990)
Total interest-bearing liabilities	(2,384)	(7,688)	(10,072)	(388)	(4,496)	(4,884)
Net change in interest income	$ 309	$ 4,378	$ 4,687	$ 1,337	$ (140)	$ 1,197

Management of Market Risk

General. The majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of loans, having longer maturities than our liabilities, consisting primarily of deposits and borrowings. As a result, a principal part of our business strategy is to manage interest rate risk and reduce the exposure of our net interest income to changes in market interest rates. Accordingly, our Board of Directors has approved guidelines for managing the interest rate risk inherent in our assets and liabilities, given our business strategy, operating environment, capital, liquidity and performance objectives. Senior management monitors the level of interest rate risk on a regular basis and the asset/liability committee meets quarterly to review our asset/liability policies and interest rate risk position. We have sought to manage our interest rate risk in order to minimize the exposure of our earnings and capital to changes in interest rates.

Net interest income, which is the primary source of the Company's earnings, is impacted by changes in interest rates and the relationship of different interest rates. To manage the impact of the rate changes, the balance sheet should be structured so that repricing opportunities exist for both assets and liabilities at approximately the same time intervals. The Company uses net interest simulation to assist in interest rate risk management. The process includes simulating various interest rate environments and their impact on net interest income. As of September 30, 2021, the level of net interest income at risk in a 200 basis points increase or a 100 basis point decrease was within the Company's policy limit of a decline less than 10% of net interest income.

The following table sets forth the results of the twelve month projected net interest income model as of September 30, 2021.

Change in Interest Rates in Basis Points (Rate Shock)	Net Interest Income		
	Amount $	Change $	Change (%)
	(Dollars in thousands)		
-100	46,783	(3,145)	(6.3)
Static	49,928	-	-
+100	53,623	3,695	7.4
+200	52,724	2,796	5.6
+300	53,972	4,044	8.1
+400	55,869	5,941	11.9

The above table indicates that as of September 30, 2021, in the event of a 400 basis point instantaneous increase in interest rates, the Company would experience an 11.9%, or $5.9 million, increase in net interest income. In the event of a 100 basis point decrease in interest rates, the Company would experience a 6.3%, or $3.1 million, decrease in net interest income.

Another measure of interest rate sensitivity is to model changes in the economic value of equity through the use of immediate and sustained interest rate shocks. The following table illustrates the economic value of equity model results as of September 30, 2021.

Change in Interest Rates in Basis Points	Economic Value of Equity		
	Amount $	Change $	Change (%)
	(Dollars in thousands)		
-100	288,846	(61,936)	(17.7)
Flat	350,782	-	-
+100	363,024	12,242	3.5
+200	359,633	8,851	2.5
+300	360,562	9,780	2.8
+400	363,302	12,520	3.6

The preceding table indicates that as of September 30, 2021, in the event of an immediate and sustained 400 basis point increase in interest rates, the Company would experience a 3.6%, or $12.5 million, increase in the present value of equity. If rates were to decrease 100 basis points, the Company would experience a 17.7%, or $61.9 million, decrease in the present value of equity.

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurements. Modeling changes in net interest income requires the making of certain assumptions regarding prepayment and deposit decay rates, which may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. While management believes such assumptions are reasonable, there can be no assurance that assumed prepayment rates and decay rates will approximate actual future loan prepayment and deposit withdrawal activity. Moreover, the net interest income table presented assumes that the composition of interest sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and also assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or repricing of specific assets and liabilities. Accordingly, although the net interest income table provides an indication of the Company's interest rate risk exposure at a particular point in time, such measurement is not intended to and does not provide a precise forecast of the effect of changes in market interest rates on net interest income and will differ from actual results.

Liquidity and Capital Resources

We maintain liquid assets at levels we consider adequate to meet both our short-term and long-term liquidity needs. We adjust our liquidity levels to fund deposit outflows, repay our borrowings and to fund loan commitments. We also adjust liquidity as appropriate to meet asset and liability management objectives.

Our primary sources of liquidity are deposits, amortization and prepayment of loans and mortgage-backed securities, maturities of investment securities and other short-term investments, and earnings and funds provided from operations, as well as access to FHLB advances and other borrowings. 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.

A portion of our liquidity consists of cash and cash equivalents and borrowings, which are a product of our operating, investing and financing activities. At September 30, 2021, $158.9 million of our assets were invested in cash and cash equivalents. Our primary sources of cash are principal repayments on loans, proceeds from the maturities of investment securities, principal repayments of mortgage-backed securities and increases in deposit accounts. There were $100.0 million in short-term investment securities (maturing in one year or less) at September 30, 2021. As of September 30, 2021, we had no borrowings outstanding from the FHLB-Pittsburgh. We have access to FHLB advances of up to approximately $726.3 million.

At September 30, 2021, we had $254.4 million in loan commitments outstanding, which included $166.5 million in undisbursed construction loans, $50.0 million in unused home equity lines of credit and $86.3 million in commercial lines of credit. Certificates of deposit due within one year of September 30, 2021 totaled $158.8 million, or 75.6% of certificates of deposit. If these maturing deposits do not remain with us, we will be required to seek other sources of funds, including other certificates of deposit and borrowings. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on the certificates of deposit due on or before September 30, 2021. We believe, however, based on past experience that a significant portion of our certificates of deposit will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered.

As reported in the Consolidated Statements of Cash Flows, our cash flows are classified for financial reporting purposes as operating, investing or financing cash flows. Net cash provided by operating activities was $19.4 million and $19.8 million for the years ended September 30, 2021 and 2020, respectively. These amounts differ from our net income because of a variety of cash receipts and disbursements that did not affect net income for the respective periods. Net cash provided by investing activities was $31.8 million and $15.4 million in fiscal years 2021 and 2020, respectively, principally reflecting our loan and investment security activities in the respective periods. Cash proceeds from principal repayments, maturities and sales of investment securities amounted to $111.4 million and $168.8 million in the years ended September 30, 2021 and 2020, respectively. Deposit and borrowing cash flows have traditionally comprised most of our financing activities which resulted in net cash (used for) provided by financing activities of $(48.1) million in fiscal year 2021, and $68.5 million in fiscal year 2020.

We also have obligations under our post retirement plan as described in Note 12 to the Consolidated Financial Statements. The post retirement benefit payments represent actuarially determined future payments to eligible plan participants. We froze our pension plan in fiscal year 2017.

Off-Balance Sheet Arrangements. In the normal course of operations, we engage in a variety of financial transactions that, in accordance with generally accepted accounting principles are not recorded in our financial statements. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are used primarily to manage customers' requests for funding and take the form of loan commitments and lines of credit. For information about our loan commitments, letters of credit and unused lines of credit, see Note 10 of the notes to the Consolidated Financial Statements. The Company also uses derivative financial instruments to manage interest rate risk. For information about the Company's derivatives and hedging activities, see Note 17 of the notes to the Consolidated Financial Statements.

For fiscal year 2021, we did not engage in any off-balance-sheet transactions other than loan origination commitments and standby letters of credit in the normal course of our lending activities. The Company used derivative financial instruments as part of its interest rate hedging activities in 2021.

Impact of Inflation and Changing Prices

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

For information regarding market risk, see "Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operation."

Item 8. Financial Statements and Supplementary Data

The Financial Statements are included in Part IV, Item 15 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable.

Item 9A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our Principle Executive Officer and Principle 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 Exchange Act) as of the end of the fiscal year (the "Evaluation Date"). Based upon that evaluation, the Principle Executive Officer and Principle Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective.

(b) Changes in internal controls.

There were no changes in our internal control over financial reporting that occurred during the fourth quarter of fiscal 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(c) Management report on internal control over financial reporting.

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system is a process designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of ESSA Bancorp; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of ESSA Bancorp's assets that could have a material effect on our financial statements.

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.

ESSA Bancorp, Inc.'s management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2021. In making this assessment, we used the criteria set forth in 2013, by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework*. Based on our assessment we believe that, as of September 30, 2021, the Company's internal control over financial reporting is effective based on those criteria.

The Annual Report on Form 10-K 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 exemption rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report on Form 10-K.

The Sarbanes-Oxley Act Section 302 Certifications have been filed with the SEC as Exhibit 31.1 and Exhibit 31.2 to this Annual Report on Form 10-K.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding directors, executive officers and corporate governance of the Company is presented under the headings "Proposal 1 — Election of Directors," "— Directors and Executive Officers," "— Corporate Governance and Code of Ethics and Business Conduct" and "— Board Meetings and Committees" in the Company's definitive Proxy Statement for the 2022 Annual Meeting of Stockholders to be held on March 3, 2022 (the "Proxy Statement") and is incorporated herein by reference.

Item 11. Executive Compensation

Information regarding executive compensation is presented under the headings "Compensation Matters" "— Summary Compensation Table," "— Other Benefit Plans and Agreements," and "— Director Compensation" in the Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding security ownership of certain beneficial owners and management is presented under the heading "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement and is incorporated herein by reference.

Securities Authorized for Issuance Under Equity Compensation Plans

Set forth below is information, as of September 30, 2021 regarding equity compensation plans categorized by those plans that have been approved by stockholders and those plans that have not been approved by stockholders.

Plan	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
Equity compensation plans approved by stockholders	—	$ —	98,258
Equity compensation plans not approved by stockholders	—	—	—
Total	—	$ —	98,258

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding certain relationships and related transactions, and director independence is presented under the heading "Proposal I — Election of Directors" "— Director Independence" and "— Transactions with Certain Related Persons" in the Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information regarding principal accounting fees and services is presented under the heading "Proposal II — Ratification of the Appointment of Independent Registered Public Accountants" in the Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) Financial Statements

The following documents are filed as part of this Annual Report on Form 10-K.

(A) Report on Management's Assessment of Internal Control over Financial Reporting

(B) Report of Independent Registered Public Accounting Firm

(C) Consolidated Balance Sheet - at September 30, 2021 and 2020

(D) Consolidated Statement of Income - Years ended September 30, 2021 and 2020

(E) Consolidated Statement of Comprehensive Income (Loss) – Years ended September 30, 2021 and 2020

(F) Consolidated Statement of Changes in Stockholders' Equity - Years ended September 30, 2021 and 2020

(G) Consolidated Statement of Cash Flows - Years ended September 30, 2021 and 2020

(H) Notes to the Consolidated Financial Statements

(a)(2) Financial Statement Schedules

None.

(a)(3) Exhibits

3.1	Articles of Incorporation of ESSA Bancorp, Inc.[(1)]
3.2	Bylaws of ESSA Bancorp, Inc.[(1)]
4.1	Form of Common Stock Certificate of ESSA Bancorp, Inc.[(1)]
4.2	Description of Capital Stock of ESSA Bancorp, Inc.[(2)]
10.1	Amended and Restated Employment Agreement between ESSA Bancorp, Inc., ESSA Bank & Trust and Gary S. Olson dated April 23, 2013[(3)]
10.2	Amended and Restated Employment Agreement between ESSA Bancorp, Inc., ESSA Bank & Trust and Allan A. Muto dated May 1, 2013[(3)]
10.3	Amended and Restated Employment Agreement between ESSA Bancorp, Inc., ESSA Bank & Trust and Charles D. Hangen dated October 12, 2016[(4)]
10.4	Supplemental Executive Retirement Plan[(5)]
10.5	Endorsement Split Dollar Life Insurance Agreement for Gary S. Olson[(5)]
10.6	Endorsement Split Dollar Life Insurance Agreement for Allan A. Muto[(5)]
10.7	Endorsement Split Dollar Life Insurance Agreement for Charles D Hangen[(5)]
10.8	Endorsement Split Dollar Life Insurance Agreement for Ms. Weekes and Messrs. Henning, Kutteroff, Selig, and Regan[(5)]
10.9	ESSA Bancorp, Inc. 2016 Equity Incentive Plan[(6)]
10.10	ESSA Bank & Trust Performance Based Long-Term Incentive Plan[(7)]
10.11	ESSA Bank & Trust Amended and Restated Executive/Management Annual Incentive Compensation Plan
21	Subsidiaries of Registrant
23	Consent of S.R. Snodgrass, P.C.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive data File (formatted as Inline XBRL and contained in Exhibit 101)

1 Incorporated by reference to the Registration Statement on Form S-1 of ESSA Bancorp, Inc. (file no. 333-139157), originally filed with the Securities and Exchange Commission on December 7, 2006.

2 Incorporated by reference to Exhibit 4.2 of ESSA Bancorp, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on December 14, 2020.

3 Incorporated by reference to ESSA Bancorp, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 1, 2013.

4 Incorporated by reference to ESSA Bancorp, Inc.’s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 14, 2016.
5 Incorporated by reference to ESSA Bancorp, Inc.’s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 6, 2008.
6 Incorporated by reference to Appendix A to the Proxy Statement for the Annual Meeting of Stockholders of ESSA Bancorp, Inc. (file no. 001-33384), filed by ESSA Bancorp, Inc. under the Exchange Act on January 26, 2016.
7 Incorporated by reference to ESSA Bancorp, Inc’s Annual Report on Form 10-K filed with the securities and Exchange Commission on December 16, 2020.

Item 16. Form 10-K Summary

None.

ESSA BANCORP, INC. AND SUBSIDIARY
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

ESSA Bancorp

REPORT ON MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

ESSA Bancorp, Inc. (the "Company") is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements and notes included in this annual report have been prepared in conformity with United States generally accepted accounting principles and necessarily include some amounts that are based on management's best estimates and judgments.

We, as management of the Company, are responsible for establishing and maintaining effective internal control over financial reporting that is designed to produce reliable financial statements in conformity with United States generally accepted accounting principles. The system of internal control over financial reporting as it relates to the financial statements is evaluated for effectiveness by management and tested for reliability. Actions are taken to correct potential deficiencies as they are identified. Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation.

Management assessed the Company's system of internal control over financial reporting as of September 30, 2021, in relation to criteria for effective internal control over financial reporting as described in "Internal Control — Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on this assessment, management concludes that, as of September 30, 2021, its system of internal control over financial reporting is effective and meets the criteria of the "Internal Control — Integrated Framework".

/s/ Gary S. Olson
Gary S. Olson
President and Chief Executive Officer

/s/ Allan A. Muto
Allan A. Muto
Executive Vice President and Chief Financial Officer

December 14, 2021

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of ESSA Bancorp, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ESSA Bancorp, Inc. and subsidiary (the "Company") as of September 30, 2021 and 2020; the related consolidated statements of income, comprehensive income, 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 September 30, 2021 and 2020, 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.

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, and 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.
.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements; and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter, in any way, our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

SNODGRASS
Certified Public Accountants
and Consultants

Allowance for Loan Losses (ALL) – Qualitative Factors

Description of the Matter
The Company's loan portfolio totaled $1.4 billion as of September 30, 2021, and the associated ALL was $18.1 million. As discussed in Note 4 to the consolidated financial statements, determining the amount of the ALL requires significant judgment about the collectability of loans, which includes an assessment of quantitative factors such as historical loss experience within each risk category of loans and testing of certain commercial loans for impairment. Management applies additional qualitative adjustments to reflect the inherent losses that exist in the loan portfolio at the balance sheet date that are not reflected in the historical loss experience. Qualitative adjustments are made based upon changes in economic conditions, portfolio composition trends, classified loan trends, delinquency trends, and external factors.

Auditing the Company's ALL involved a high degree of subjectivity due to the judgement involved in management's determination of commercial loan credit risk ratings and identification and measurement of qualitative factor adjustments included in the estimate of the allowance for loan losses.

How We Addressed the Matter in Our Audit
We gained an understanding of the Company's process for establishing the ALL, including the qualitative adjustments made to the ALL. We evaluated the design and tested the operating effectiveness of controls over the Company's ALL process, which included, among others, management's review and approval controls designed to assess the need and level of qualitative adjustments to the ALL, as well as the reliability of the data utilized to support management's assessment.

To test the qualitative adjustments, we evaluated the appropriateness of management's methodology and assessed whether all relevant risks were reflected in the ALL and the need to consider qualitative adjustments, including the potential effect of COVID-19 on the adjustments.

Regarding the measurement of the qualitative adjustments, we evaluated the completeness, accuracy, and relevance of the data and inputs utilized in management's estimate. For example, we compared the inputs and data to the Company's historical loan performance data and third-party macroeconomic data. Furthermore, we analyzed the changes in the components of the qualitative reserves relative to changes in external market factors, the Company's loan portfolio, and asset quality trends, which included the evaluation of management's ability to capture and assess relevant data from both external sources and internal reports on loan customers affected by the COVID-19 pandemic and the supporting documentation for substantiating revisions to qualitative factors.

We also utilized internal credit review specialists to perform procedures on a sample of commercial loans to test the Company's credit risk ratings by comparing key attributes used in the determination of the credit risk rating to supporting documentation such as borrowers' financial statements, underlying collateral, financial health of the guarantor, and loan payment history.

We have served as the Company's auditor since 2005.

/s/ S.R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
December 14, 2021

ESSA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET

	September 30, 2021	September 30, 2020
	(dollars in thousands)	
ASSETS		
Cash and due from banks	$ 146,841	$ 101,447
Interest-bearing deposits with other institutions	12,105	54,470
Total cash and cash equivalents	158,946	155,917
Investment securities available for sale, at fair value	240,581	212,484
Investment securities held to maturity, at amortized cost	21,483	-
Loans receivable (net of allowance for loan losses of $18,113 and $15,400)	1,340,853	1,417,974
Loans, held for sale	381	208
Regulatory stock, at cost	4,651	7,344
Premises and equipment, net	13,605	14,230
Bank-owned life insurance	37,481	40,546
Foreclosed real estate	461	269
Intangible assets, net	520	791
Goodwill	13,801	13,801
Deferred income taxes	4,613	5,993
Other assets	24,060	23,958
TOTAL ASSETS	$ 1,861,436	$ 1,893,515
LIABILITIES		
Deposits	$ 1,636,115	$ 1,543,696
Short-term borrowings	-	111,713
Other borrowings	-	14,164
Advances by borrowers for taxes and insurance	4,949	7,858
Other liabilities	18,550	24,687
TOTAL LIABILITIES	1,659,614	1,702,118
STOCKHOLDERS' EQUITY		
Preferred stock ($.01 par value; 10,000,000 shares authorized, none issued)	-	-
Common stock ($.01 par value; 40,000,000 shares authorized, 18,133,095 issued; 10,461,443 and 10,876,869 outstanding at September 30, 2021 and 2020, respectively)	181	181
Additional paid-in capital	181,659	181,487
Unallocated common stock held by the Employee Stock Ownership Plan ("ESOP")	(6,915)	(7,350)
Retained earnings	124,342	112,612
Treasury stock, at cost; 7,671,652 and 7,256,226 shares at September 30, 2021 and 2020, respectively	(98,127)	(91,477)
Accumulated other comprehensive income (loss)	682	(4,056)
TOTAL STOCKHOLDERS' EQUITY	201,822	191,397
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,861,436	$ 1,893,515

See accompanying notes to the consolidated financial statements.

ESSA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF INCOME

	Years Ended September 30, 2021	2020
	(dollars in thousands except per share data)	
INTEREST INCOME		
Loans receivable, including fees	$ 54,459	$ 55,668
Investment securities:		
Taxable	3,684	7,081
Exempt from federal income tax	156	181
Other investment income	388	1,142
Total interest income	58,687	64,072
INTEREST EXPENSE		
Deposits	5,522	10,528
Short-term borrowings	209	2,254
Other borrowings	62	3,083
Total interest expense	5,793	15,865
NET INTEREST INCOME	52,894	48,207
Provision for loan losses	2,700	3,275
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	50,194	44,932
NONINTEREST INCOME		
Service fees on deposit accounts	3,088	2,921
Services charges and fees on loans	1,865	1,389
Loan swap fees	652	1,294
Unrealized gain (loss) on equity securities	15	(8)
Trust and investment fees	1,530	1,380
Gain on sale of investment securities, net	460	2,927
Gain on sale of loans, net	2,174	1,467
Earnings on bank-owned life insurance	854	945
Insurance commissions	643	829
Other	212	111
Total noninterest income	11,493	13,255
NONINTEREST EXPENSE		
Compensation and employee benefits	25,903	23,938
Occupancy and equipment	4,412	4,275
Professional fees	2,127	1,926
Data processing	4,436	4,173
Advertising	636	481
Federal Deposit Insurance Corporation (“FDIC”) premiums	1,084	720
Gain on foreclosed real estate	(692)	(69)
Amortization of intangible assets	271	275
Prepayment penalty on FHLB Advances	254	2,504
Other	3,359	2,365
Total noninterest expense	41,790	40,588
Income before income taxes	19,897	17,599
Income taxes	3,473	3,183
NET INCOME	$ 16,424	$ 14,416
Earnings per share:		
Basic	$ 1.65	$ 1.39
Diluted	$ 1.65	$ 1.39
Dividends per share	$ 0.47	$ 0.44

See accompanying notes to the consolidated financial statements.

ESSA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Years Ended September 30, 2021	2020
	(dollars in thousands)	
Net income	$ 16,424	$ 14,416
Other comprehensive income (loss):		
Investment securities available for sale:		
Unrealized holding (loss) gain	(1,069)	5,917
Tax effect	227	(1,245)
Reclassification of gains recognized in net income	(460)	(2,927)
Tax effect	97	615
Net of tax amount	(1,205)	2,360
Pension plan adjustment:		
Unrealized holding gain (loss)	1,710	(2,411)
Tax effect	(360)	506
Reclassification adjustment related to actuarial gains	221	-
Tax effect	(46)	-
Net of tax amount	1,525	(1,905)
Derivative and hedging activities adjustments:		
Changes in unrealized gain (loss) on derivative included in net income	3,591	(4,644)
Tax effect	(754)	975
Reclassification adjustment for losses on derivatives included in net income	2,001	554
Tax effect	(420)	(116)
Net of tax amount	4,418	(3,231)
Total other comprehensive income (loss)	4,738	(2,776)
Comprehensive income	$ 21,162	$ 11,640

See accompanying notes to the consolidated financial statements.

ESSA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In Capital	Unallocated Common Stock Held by the ESOP	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Number of Shares	Amount						
	(dollars in thousands except share and per share data)							
Balance, September 30, 2019	11,321,417	$ 181	$ 181,161	$ (7,803)	$ 102,465	$ (85,216)	$ (1,280)	189,508
Net income					14,416			14,416
Other comprehensive loss							(2,776)	(2,776)
Cash dividends declared ($.44 per share)					(4,559)			(4,559)
Stock-based compensation			504					504
Allocation of ESOP stock			211	453				664
Adoption of new lease standard					290			290
Allocation of treasury shares to incentive plan	24,452		(389)			306		(83)
Treasury shares purchased	(469,000)		-			(6,567)		(6,567)
Balance, September 30, 2020	10,876,869	181	181,487	(7,350)	112,612	(91,477)	(4,056)	191,397
Net income					16,424			16,424
Other comprehensive income							4,738	4,738
Cash dividends declared ($.47 per share)					(4,694)			(4,694)
Stock-based compensation			515					515
Allocation of ESOP stock			207	435				642
Allocation of treasury shares to incentive plan	34,274		(550)			428		(122)
Treasury shares purchased	(449,700)		-			(7,078)		(7,078)
Balance, September 30, 2021	10,461,443	$ 181	$ 181,659	$ (6,915)	$ 124,342	$ (98,127)	$ 682	$ 201,822

See accompanying notes to the consolidated financial statements.

ESSA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS

	Years Ended September 30, 2021	2020
	(dollars in thousands)	
OPERATING ACTIVITIES		
Net income	$ 16,424	$ 14,416
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	2,700	3,275
Provision for depreciation and amortization	1,055	1,077
Amortization and accretion of discounts and premiums, net	(1,317)	1,765
Net gain on sale of investment securities	(460)	(2,927)
Compensation expense from ESOP	642	664
Stock-based compensation	515	504
Amortization of right-of-use-asset	860	859
Unrealized (gain) loss on equity securities	(15)	8
Gain on sale of mortgage loans, net	(2,174)	(1,467)
Origination of mortgage loans sold	(67,550)	(38,288)
Proceeds from sale of mortgage loans originated for sale	69,551	39,755
Decrease (increase) in accrued interest receivable	1,370	(695)
Decrease in accrued interest payable	(591)	(647)
Earnings on bank-owned life insurance	(854)	(945)
Deferred federal income taxes	1,210	(134)
Decrease in accrued pension liability	(484)	(591)
Gain on foreclosed real estate	(692)	(11)
Amortization of intangible assets	271	275
Other, net	(1,086)	2,856
Net cash provided by operating activities	19,375	19,749
INVESTING ACTIVITIES		
Investment securities available for sale:		
Proceeds from sale of investment securities	19,673	115,595
Proceeds from principal repayments and maturities	90,957	53,215
Purchases	(140,885)	(63,545)
Investment securities held to maturity:		
Proceeds from principal repayments and maturities	764	-
Purchases	(22,247)	-
Decrease (increase) in loans receivable, net	76,450	(93,307)
Redemption of regulatory stock	6,149	20,693
Purchase of regulatory stock	(3,456)	(16,458)
Bank owned life insurance death benefit	3,919	-
Capital expenditures for foreclosed real estate	-	(15)
Proceeds from sale of foreclosed real estate	870	296
Purchase of premises, equipment, and software	(401)	(1,041)
Net cash provided by investing activities	31,793	15,433
FINANCING ACTIVITIES		
Increase in deposits, net	92,419	200,866
Net (decrease) increase in short-term borrowings	(111,713)	4,012
Proceeds from other borrowings	-	55,661
Repayment of other borrowings	(14,164)	(182,078)
(Decrease) increase in advances by borrowers for taxes and insurance	(2,909)	1,158
Purchase of common stock	(7,078)	(6,567)
Dividends on common stock	(4,694)	(4,559)
Net cash (used for) provided by financing activities	(48,139)	68,493
Increase in cash and cash equivalents	3,029	103,675
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	155,917	52,242
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 158,946	$ 155,917

See accompanying notes to the consolidated financial statements.

ESSA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

SUPPLEMENTAL CASH FLOW DISCLOSURES

	Years Ended September 30,	
	2021	2020
	(dollars in thousands)	
Cash paid:		
Interest	$ 6,384	$ 16,512
Income taxes	-	8
Noncash items:		
Transfers from loans to foreclosed real estate	370	299
Initial recognition of operating right-of-use asset	-	7,272
Initial recognition of operating lease liability	-	7,272
Unrealized holding (loss) gain on investment securities available for sale	(1,529)	2,990

See accompanying notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting and reporting policies applied in the presentation of the accompanying financial statements follows:

Nature of Operations and Basis of Presentation

The consolidated financial statements include the accounts of ESSA Bancorp, Inc. (the "Company"), its wholly owned subsidiary, ESSA Bank & Trust (the "Bank"), and the Bank's wholly owned subsidiaries, ESSACOR Inc.; Pocono Investments Company; ESSA Advisory Services, LLC; Integrated Financial Corporation; and Integrated Abstract Incorporated, a wholly owned subsidiary of Integrated Financial Corporation. The primary purpose of the Company is to act as a holding company for the Bank. On November 6, 2014, the Company converted its status from a savings and loan holding company to a bank holding company. In addition, the Bank converted from a Pennsylvania-chartered savings association to a Pennsylvania-chartered savings bank. The Bank's primary business consists of the taking of deposits and granting of loans to customers generally in Monroe, Northampton, Lehigh, Lackawanna, Luzerne, Delaware, Chester, and Montgomery counties, Pennsylvania. The Bank is subject to regulation and supervision by the Pennsylvania Department of Banking and Securities and the Federal Deposit Insurance Corporation. The investment in subsidiary on the parent company's financial statements is carried at the parent company's equity in the underlying net assets.

ESSACOR, Inc. is a Pennsylvania corporation that has been used to purchase properties at tax sales that represent collateral for delinquent loans of the Bank and is currently inactive. Pocono Investment Company is a Delaware corporation formed as an investment company subsidiary to hold and manage certain investments, including certain intellectual property. ESSA Advisory Services, LLC is a Pennsylvania limited liability company owned 100 percent by ESSA Bank & Trust. ESSA Advisory Services, LLC is a full-service insurance benefits consulting company offering group services such as health insurance, life insurance, short-term and long-term disability, dental, vision, and 401(k) retirement planning as well as individual health products. Integrated Financial Corporation is a Pennsylvania Corporation that provided investment advisory services to the general public and is currently inactive. Integrated Abstract Incorporated is a Pennsylvania Corporation that provided title insurance services and is currently inactive. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements

The accounting principles followed by the Company and its subsidiary and the methods of applying these principles conform to U.S. generally accepted accounting principles and to general practice within the banking industry. In preparing the consolidated financial statements, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the Consolidated Balance Sheet date and related revenues and expenses for the period. Actual results could differ from those estimates.

Securities

The Company determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each balance sheet date.

Securities classified as available for sale are those securities that the Company intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available for sale would be based on various factors, including significant movement in interest rates, changes in maturity mix of the Company's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors.

Securities available for sale are carried at fair value. Unrealized gains and losses are reported in other comprehensive income (loss), net of the related deferred tax effects. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

Declines in the fair value of available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, the Company considers: (1) the length of time and the extent to which the fair value has been less than cost; (2) the financial condition and near-term prospects of the issuer; and (3) the Company's intent to sell the security or whether it's more likely than not that the Company would be required to sell the security before its anticipated recovery in market value.

Securities classified as held-to-maturity are those that the Company has the positive intent and ability to hold until maturity. These securities are reported at amortized cost.

Loans Receivable

Loans receivable that the Company 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 loan losses and any deferred fees and costs. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Company is generally amortizing these amounts 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 the Company 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 is reversed. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to the Company's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current and has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Loans Acquired

Loans acquired including loans that have evidence of deterioration of credit quality since origination and for which it is probable, at acquisition, that the Company will be unable to collect all contractually required payments receivable, are initially recorded at fair value (as determined by the present value of expected future cash flows) with no valuation allowance. Loans are evaluated individually to determine if there is evidence of deterioration of credit quality since origination. The difference between the undiscounted cash flows expected at acquisition and the investment in the loan, or the "accretable yield," is recognized as interest income on a level-yield method over the life of the loan. Contractually required payments for interest and principal that exceed the undiscounted cash flows expected at acquisition, or the "non-accretable difference," are not recognized as a yield adjustment or as a loss accrual or a valuation allowance. Increases in expected cash flows subsequent to the initial investment are recognized prospectively through adjustment of the yield on the loan over its remaining estimated life. Decreases in expected cash flows are recognized immediately as impairment. Any valuation allowances on these impaired loans reflect only losses incurred after acquisition.

For purchased loans acquired that are not deemed impaired at acquisition, credit discounts representing the principal losses expected over the life of the loan are a component of the initial fair value. Loans are aggregated and accounted for as a pool of loans if the loans being aggregated have common risk characteristics. Subsequent to the purchase date, the methods utilized to estimate the required allowance for credit losses for these loans is similar to originated loans; however, the Company records a provision for loan losses only when the required allowance exceeds any remaining credit discounts. The remaining differences between the purchase price and the unpaid principal balance at the date of acquisition are recorded in interest income over the life of the loans.

Allowance for Loan Losses

The allowance for loan losses is established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance for loan losses.

The allowance for loan losses is maintained at a level by management which represents the evaluation of known and inherent risks in the loan portfolio at the Consolidated Balance Sheet date. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions, and other relevant factors. This evaluation is inherently subjective, since it requires material estimates that may be susceptible to significant change, including the amounts and timing of future cash flows expected to be received on impaired loans.

The allowance for loan losses consists of specific and general components. The specific component relates to loans that are classified as impaired. For such loans an allowance for loan losses is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical loss experience adjusted for qualitative factors.

All loans are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement and all loan types are considered impaired if the loan is restructured in a troubled debt restructuring. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral-dependent.

Large groups of smaller-balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential mortgage loans for impairment disclosures unless such loans are part of a larger relationship that is impaired or classified as a troubled debt restructuring or is more than 180 days past due.

A loan is considered to be a troubled debt restructuring ("TDR") loan when the Company grants a concession to the borrower because of the borrower's financial condition that it would not otherwise consider. Such concessions include the reduction of interest rates, forgiveness of principal or interest, or other modifications of interest rates that are less than the current market rate for new obligations with similar risk. TDR loans that are in compliance with their modified terms and that yield a market rate may be removed from the TDR status after one year of performance.

Regulatory Stock

Regulatory stock consists of Federal Home Loan Bank ("FHLB") of Pittsburgh stock and Atlantic Community Bankers Bank stock. Regulatory stock is carried at cost. The Company is a member of the Federal Home Loan Bank System and holds stock in the Federal Home Loan Bank of Pittsburgh. As a member, the Company maintains an investment in the capital stock of the FHLB of Pittsburgh in an amount not less than 10 basis points of the outstanding member asset value plus 4.0 percent of its outstanding FHLB borrowings, as calculated throughout the year. The equity security is accounted for at cost and classified separately on the Consolidated Balance Sheet. The stock is bought from and sold to the FHLB based upon its $100 par value. The stock does not have a readily determinable fair value and as such is classified as restricted stock, carried at cost and evaluated by management. The stock's value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) The significance of the decline in net assets of the FHLB as compared to the capital stock amount and the length of time this situation has persisted; (b) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance; (c) the impact of legislative and regulatory changes on the customer base of the FHLB; and (d) the liquidity position of the FHLB. With consideration given to these factors, management concluded that the stock was not impaired at September 30, 2021.

Loan Servicing

Servicing assets are recognized as separate assets when rights are acquired through purchase or through sale of financial assets. Capitalized servicing rights are reported in other assets and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon a third-party appraisal. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance to the extent that fair value is less than the capitalized amount. The Company's loan servicing assets at September 30, 2021 and 2020, were not impaired. Total servicing assets included in other assets as of September 30, 2021 and 2020, were $763,000 and $393,000, respectively.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the useful lives of the related assets, which range from 10 to 40 years for buildings, land improvements, and leasehold improvements and 3 to 7 years for furniture, fixtures, and equipment. Expenditures for maintenance and repairs are charged to operations as incurred. Costs of major additions and improvements are capitalized.

Derivative Instruments and Hedging Activities

The Company records all derivatives on the Consolidated Balance Sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

In accordance with the FASB's fair value measurement guidance, the Company has elected to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Bank-Owned Life Insurance ("BOLI")

The Company owns insurance on the lives of a certain group of key employees. The policies were purchased to help offset the increase in the costs of various fringe benefit plans, including healthcare. The cash surrender value of these policies is included as an asset on the Consolidated Balance Sheet, and any increase in cash surrender value is recorded as noninterest income on the Consolidated Statement of Income. In the event of the death of an insured individual under these policies, the Company would receive a death benefit which would be recorded as noninterest income.

Foreclosed Real Estate

Real estate owned acquired in settlement of foreclosed loans is carried at fair value minus estimated costs to sell. At acquisition of real estate acquired in settlement of foreclosed loans, the excess of the remaining loan balance over the asset's estimated fair value less cost to sell is charged off against the allowance for loan losses. Subsequent declines in the asset's value are recognized as noninterest expense in the Consolidated Statement of Income. Operating expenses of such properties, net of related income, are expensed in the period incurred.

Goodwill and Intangible Assets

Goodwill is not amortized, but it is tested at least annually for impairment in the fourth quarter, or more frequently if indicators of impairment are present. If the estimated current fair value of a reporting unit exceeds its carrying value, no additional testing is required and an impairment loss is not recorded. The Company uses market capitalization and multiples of tangible book value methods to determine the estimated current fair value of its reporting unit. Based on this analysis, no impairment was recorded in 2021 or 2020.

The other intangible assets are assigned useful lives, which are amortized on an accelerated basis over their weighted-average lives. The Company periodically reviews intangible assets for impairment as events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. Based on these reviews, no impairment was recorded in 2021 and 2020.

The following tables provide information for the carrying amount of goodwill and intangible assets (in thousands).

Goodwill	2021	2020
Balance at beginning of year	$ 13,801	$ 13,801
Goodwill acquired	-	-
Balance at end of year	$ 13,801	$ 13,801

Intangible assets	2021	2020
Balance at beginning of year	$ 791	$ 1,066
Intangible assets acquired	-	-
Amortization	(271)	(275)
Balance at end of year	$ 520	$ 791

Amortizable intangible assets were composed of the following:

		September 30,	
		2021	2020
	Gross Carrying Amount	Accumulated Amortization	
	(dollars in thousands)		
Core deposit intangible	$ 4,787	$ 4,267	$ 3,991

	2021	2020
Aggregate amortization expense:		
As of the years ended September 30	$ 271	$ 275

Estimated future amortization expense (dollars in thousands):

2022	$ 240
2023	190
2024	90
	$ 520

Employee Benefit Plans

The Bank maintains a noncontributory, defined benefit pension plan for all employees who have met age and length of service requirements. The Bank also maintains a defined contribution Section 401(k) plan covering eligible employees. The Company created an ESOP for the benefit of employees who meet certain eligibility requirements. The Company makes cash contributions to the ESOP on an annual basis.

The Company maintains an equity incentive plan to provide for issuance or granting of shares of common stock for stock options or restricted stock. The Company has recorded stock-based employee compensation cost using the fair value method as allowed under generally accepted accounting principles. Management estimated the fair values of all option grants using the Black-Scholes option-pricing model. Management estimated the expected life of the options using the simplified method as allowed under generally accepted accounting principles. The risk-free rate was determined utilizing the treasury yield for the expected life of the option contract.

Advertising Costs

The Company expenses all advertising expenditures incurred.

Transfers of Financial Assets

Transfers of financial assets 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.

Income Taxes

Deferred tax assets and liabilities are reflected based on the differences between the financial statement and the income tax basis of assets and liabilities using the enacted marginal tax rates. Deferred income tax expense and benefit are based on the changes in the deferred tax assets or liabilities from period to period. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which such items are expected to be realized or settled. As changes in tax rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The Company files a consolidated federal income tax return and individual state income tax returns.

The Company 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.

Cash and Cash Equivalents

The Company has defined cash and cash equivalents as cash and due from banks and interest-bearing deposits with other institutions with original maturities of less than 90 days.

Earnings Per Share

The Company provides dual presentation of basic and diluted earnings per share. Basic earnings per share are calculated utilizing net income as reported as the numerator and average shares outstanding as the denominator. The computation of diluted earnings per share differs in that the dilutive effects of any options are adjusted for in the denominator.

Comprehensive Income (Loss)

The Company is required to present comprehensive income (loss) and its components in a full set of general-purpose financial statements for all periods presented. Other comprehensive income (loss) is composed of net unrealized holding gains or losses on its available-for-sale investment and mortgage-backed securities portfolio and derivative instruments, and changes in unrecognized pension cost.

Fair Value Measurements

The Company groups assets and liabilities carried at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level I – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level II – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level III – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company’s own estimates of assumptions that market participants would use in pricing the asset.

The Company determines fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is our policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy in generally accepted accounting principles.

Fair value measurements for most of the Company's assets are obtained from independent pricing services that we have engaged for this purpose. When available, the Company, or the Company's independent pricing service, use quoted market prices to measure fair value. If market prices are not available, fair value measurement is based upon models that incorporate available trade, bid, and other market information. Subsequently, all of the Company's financial instruments use either of the foregoing methodologies to determine fair value adjustments recorded to our financial statements. In certain cases, however, when market observable inputs for model-based valuation techniques may not be readily available, we are required to make judgments about assumptions market participants would use in estimating the fair value of financial instruments. The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value. When observable market prices and parameters are not fully available, management judgment is necessary to estimate fair value. In addition, changes in the market conditions may reduce the availability of quoted prices or observable data. When market data is not available, we use valuation techniques requiring more management judgment to estimate the appropriate fair value measurement. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future valuations.

Reclassification of Comparative Amounts

Certain items previously reported have been reclassified to conform to the current year's reporting format. Such reclassifications did not affect consolidated net income or consolidated stockholders' equity.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*, 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 effected 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. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2019, and early adoption is permitted for annual and interim periods beginning after December 15, 2018. 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. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*. This Update defers the effective date of ASU 2016-13 for SEC filers that are eligible to be smaller reporting companies, non-SEC filers, and all other companies to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. We expect to recognize a one-time cumulative effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective, but cannot yet determine the magnitude of any such one-time adjustment or the overall impact of the new guidance on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation – Retirement Benefits (Topic 715-20)*. This Update amends ASC 715 to add, remove and clarify disclosure requirements related to defined benefit pension and other postretirement plans. The Update eliminates the requirement to disclose the amounts in accumulated other comprehensive income expected to be recognized as part of net periodic benefit cost over the next year. The Update also removes the disclosure requirements for the effects of a one-percentage-point change on the assumed health care costs and the effect of this change in rates on service cost, interest cost and the benefit obligation for postretirement health care benefits. This Update is effective for public business entities for fiscal years ending after December 15, 2020, and must be applied on a retrospective basis. For all other entities, this Update is effective for fiscal years ending after December 15, 2021. This Update is not expected to have a significant impact on the Company's financial statements.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging*, and Topic 825, *Financial Instruments*, which affects a variety of topics in the Codification and applies to all reporting entities within the scope of the affected accounting guidance. Topic 326, *Financial Instruments – Credit Losses* amendments are effective for SEC registrants for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other public business entities, the effective date is for fiscal years beginning after December 15, 2020, and for all other entities, the effective date is for fiscal years beginning after December 15, 2021. *Topic 815, Derivatives and Hedging* amendments are effective for public business entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods beginning after December 15, 2020. For entities that have adopted the amendments in Update 2017-12, the effective date is as of the beginning of the first annual period beginning after the issuance of this Update. Topic 825, Financial Instruments amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years. The Company is currently evaluating the impact the adoption of the standard will have on the Company’s financial position or results of operations.

In May 2019, the FASB issued ASU 2019-05, *Financial Instruments – Credit Losses, Topic 326*, which allows entities to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost upon adoption of the new credit losses standard. To be eligible for the transition election, the existing financial asset must otherwise be both within the scope of the new credit losses standard and eligible for the applying the fair value option in ASC 825-10.3. The election must be applied on an instrument-by-instrument basis and is not available for either available-for-sale or held-to-maturity debt securities. For entities that elect the fair value option, the difference between the carrying amount and the fair value of the financial asset would be recognized through a cumulative-effect adjustment to opening retained earnings as of the date an entity adopted ASU 2016-13. Changes in fair value of that financial asset would subsequently be reported in current earnings. For entities that have not yet adopted ASU 2016-13, the effective dates and transition requirements are the same as those in ASU 2016-13. For entities that have adopted ASU 2016-13, ASU 2019-05 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted once ASU 2016-13 has been adopted. The Company is currently evaluating the impact the adoption of the standard will have on the Company’s financial position or results of operations.

In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*, to clarify its new credit impairment guidance in ASC 326, based on implementation issues raised by stakeholders. This Update clarified, among other things, that expected recoveries are to be included in the allowance for credit losses for these financial assets; an accounting policy election can be made to adjust the effective interest rate for existing troubled debt restructurings based on the prepayment assumptions instead of the prepayment assumptions applicable immediately prior to the restructuring event; and extends the practical expedient to exclude accrued interest receivable from all additional relevant disclosures involving amortized cost basis. The effective dates in this Update are the same as those applicable for ASU 2019-10. The Company is currently evaluating the impact the adoption of the standard will have on the Company’s financial position or results of operations.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740*), to simplify the accounting for income taxes, change the accounting for certain tax transactions, and make minor improvements to the codification. This Update provides a policy election to not allocate consolidated income taxes when a member of a consolidated tax return is not subject to income tax and provides guidance to evaluate whether a step-up in tax basis of goodwill relates to a business combination in which book goodwill was recognized or a separate transaction. The Update also changes current guidance for making an intraperiod allocation, if there is a loss in continuing operations and gains outside of continuing operations; determining when a deferred tax liability is recognized after an investor in a foreign entity transitions to or from the equity method of accounting; accounting for tax law changes and year-to-date losses in interim periods; and determining how to apply the income tax guidance to franchise taxes that are partially based on income. For public business entities, the amendments in this Update are effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2020. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. This Update is not expected to have a significant impact on the Company’s financial statements.

In January 2020, the FASB issued ASU 2020-1, *Investments – Equity Securities (Topic 321)*, Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815), to clarify that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The amendments also clarify that, for the purpose of applying paragraph 815-10-15-141(a) an entity should not consider whether, upon the settlement of the forward contract or exercise of the purchased option, individually or with existing investments, the underlying securities would be accounted for under the equity method in Topic 323 or the fair value option, in accordance with the financial instruments guidance in Topic 825. An entity also would evaluate the remaining characteristics in paragraph 815-10-15-141 to determine the accounting for those forward contracts and purchased options. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. This Update is not expected to have a significant impact on the Company's financial statements.

In March 2020, the FASB issued ASU 2020-3*, Codification Improvements to Financial Instruments.* This ASU was issued to improve and clarify various financial instruments topics, including the current expected credit losses (CECL) standard issued in 2016. The ASU includes seven issues that describe the areas of improvement and the related amendments to GAAP; they are intended to make the standards easier to understand and apply and to eliminate inconsistencies, and they are narrow in scope and are not expected to significantly change practice for most entities. Among its provisions, the ASU clarifies that all entities, other than public business entities that elected the fair value option, are required to provide certain fair value disclosures under ASC 825, *Financial Instruments*, in both interim and annual financial statements. It also clarifies that the contractual term of a net investment in a lease under Topic 842 should be the contractual term used to measure expected credit losses under Topic 326. Amendments related to ASU 2019-04 are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is not permitted before an entity's adoption of ASU 2016-01. Amendments related to ASU 2016-13 for entities that have not yet adopted that guidance are effective upon adoption of the amendments in ASU 2016-13. Early adoption is not permitted before an entity's adoption of ASU 2016-13. Amendments related to ASU 2016-13 for entities that have adopted that guidance are effective for fiscal years beginning after December 15, 2019, including interim periods within those years. Other amendments are effective upon issuance of this ASU. This Update is not expected to have a significant impact on the Company's financial statements.

In January 2020, the FASB issued ASU 2020-4, *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 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 amendments in this ASU are effective for all entities upon issuance through December 31, 2022. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position or results of operations.

In August 2020, the FASB issued ASU 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40)*, which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. This ASU removes from U.S. GAAP the separation models for (1) convertible debt with a cash conversion feature and (2) convertible instruments with a beneficial conversion feature. As a result, entities will not separately present in equity an embedded conversion feature in such debt. Instead, they will account for a convertible debt instrument wholly as debt, and for convertible preferred stock wholly as preferred stock (i.e., as a single unit of account), unless (1) a convertible instrument contains features that require bifurcation as a derivative under ASC 815 or (2) a convertible debt instrument was issued at a substantial premium. This ASU requires entities to provide expanded disclosures about the terms and features of convertible instruments, how the instruments have been reported in the entity's financial statements, and information about events, conditions, and circumstances that can affect how to assess the amount or timing of an entity's future cash flows related to those instruments. The amendments in this ASU are effective for public business entities that are not smaller reporting companies, for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. For all other entities, this ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The guidance may be early adopted for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. This Update is not expected to have a significant impact on the Company's financial statements.

In October 2020, the FASB issued ASU 2020-08, *Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs,* which clarifies that, for each reporting period, an entity should reevaluate whether a callable debt security is within the scope of ASC 310-20-35-33. For public business entities, ASU 2020-08 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early application is not permitted. For all other entities, ASU 2020-08 is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. This Update is not expected to have a significant impact on the Company's financial statements.

In October 2020, the FASB issued ASU 2020-10, *Codification Improvements*, which makes minor technical corrections and clarifications to the ASC. The amendments in Sections B and C of the ASU are effective for annual periods beginning after

December 15, 2020, for public business entities. For all other entities, the amendments are effective for annual periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022. This Update is not expected to have a significant impact on the Company's financial statements.

In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848)*, which provides optional temporary guidance for entities transitioning away from the London Interbank Offered Rate(LIBOR) and other interbank offered rates (IBORs) to new references rates so that derivatives affected by the discounting transition are explicitly eligible for certain optional expedients and exceptions within Topic848. ASU 2021-01 clarifies that the derivatives affected by the discounting transition are explicitly eligible for certain optional expedients and exceptions in Topic 848. ASU 2021-01 is effective immediately for all entities. Entities may elect to apply the amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, *2020*, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the issuance of a final update, up to the date that financial statements are available to be issued. The amendments in this update do not apply to contract modifications made, as well as new hedging relationships entered into, after December 31, 2022, and to existing hedging relationships evaluated for effectiveness for periods after December 31, 2022, except for certain hedging relationships existing as of December 31, 2022, that apply certain optional expedients in which the accounting effects are recorded through the end of the hedging relationship. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position or results of operations.

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt – Modifications and Extinguishments (Subtopic 470-50), Compensation – Stock Compensation (Topic 718), and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40),* which requires an entity to treat a modification of an equity-classified warrant that does not cause the warrant to become liability-classified as an exchange of the original warrant for a new warrant. This guidance applies whether the modification is structured as an amendment to the terms and conditions of the warrant or as termination of the original warrant and issuance of a new warrant. An entity should measure the effect of a modification as the difference between the fair value of the modified warrant and the fair value of that warrant immediately before modification. The amendments in this Update are effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should apply the amendments prospectively to modifications or exchanges occurring on or after the effective date of the amendments. Early adoption is permitted for all entities, including adoption in an interim period. If an entity elects to early adopt the amendments in this Update in an interim period, the guidance should be applied as of the beginning of the fiscal year that includes that interim period. This Update is not expected to have a significant impact on the Company's financial statements.

In July 2021, the FASB issued ASU 2021-05, *Leases (Topic 842*), which amends ASC 842 so that lessors are no longer required to recognize a selling loss upon commencement of a lease with variable lease payments that, prior to the amendments, would have been classified as a sales-type or direct financing lease. Furthermore, a lessor must classify as an operating lease any lease that would otherwise be classified as a sales-type or direct financing lease and that would result in the recognition of a selling loss at lease commencement, provided that the lease includes variable lease payments that do not depend on an index or rate. For public business entities and certain not-for-profit entities and employee benefit plans that have adopted ASC 842, the amendments are effective for fiscal years beginning after December 15, 2021, and for interim periods within those fiscal years. For all other entities that have adopted ASC 842, the amendments are effective for fiscal years beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 15, 2022. All entities that have adopted ASC 842 are permitted to early adopt the amendments in ASU 2021-05. The amendments in ASU 2021-05 are effective as of the same date as the guidance in ASC 842 for entities that have not adopted ASC 842. This Update is not expected to have a significant impact on the Company's financial statements.

In August 2021, the FASB issued ASU 2021-06, *Presentation of Financial Statements (Topic 205), Financial Services – Depository and Lending (Topic 942), and Financial Services – Investment Companies (Topic 946): Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants (SEC Update)*, to amend SEC paragraphs in the Accounting Standards Codification to reflect the issuance of SEC Release No. 33-10786, *Amendments to Financial Disclosures about Acquired and Disposed Businesses*, and No. 33-10835, *Update of Statistical Disclosures for Bank and Savings and Loan Registrants*. This ASU was effective upon issuance and did not have a significant impact on the Company's financial statements.

2. EARNINGS PER SHARE

The following table sets forth the composition of the weighted-average common shares (denominator) used in the basic and diluted earnings per share computation for the years ended September 30, 2021 and 2020.

	2021	2020
Weighted-average common shares outstanding	18,133,095	18,133,095
Average treasury stock shares	(7,431,752)	(6,991,620)
Average unearned ESOP shares	(701,545)	(746,824)
Average unearned nonvested shares	(54,270)	(47,168)
Weighted-average common shares and common stock equivalents used to calculate basic earnings per share	9,945,528	10,347,483
Additional common stock equivalents (nonvested stock) used to calculate diluted earnings per share	1,976	-
Additional common stock equivalents (stock options) used to calculate diluted earnings per share	-	-
Weighted-average common shares and common stock equivalents used to calculate diluted earnings per share	9,947,504	10,347,483

At September 30, 2021, there were 18,229 shares of nonvested stock outstanding at an average weighted price of $16.17 per share that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive. At September 30, 2020 there were 36,872 shares of nonvested stock outstanding at an average weighted price of $16.15 per share that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive.

3. INVESTMENT SECURITIES

The amortized cost, gross unrealized gains and losses, and fair value of investment securities available for sale are summarized as follows (in thousands):

	2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale				
Fannie Mae	$ 25,614	$ 766	$ (30)	$ 26,350
Freddie Mac	21,240	574	(42)	21,772
Governmental National Mortgage Association securities	6,801	159	(14)	6,946
Total mortgage-backed securities	53,655	1,499	(86)	55,068
Obligations of states and political subdivisions	12,826	420	-	13,246
U.S. government treasury securities	99,997	-	-	99,997
U.S. government agency securities	1,998	4	-	2,002
Corporate obligations	58,130	940	(453)	58,617
Other debt securities	11,493	273	(115)	11,651
Total debt securities	$ 238,099	$ 3,136	$ (654)	$ 240,581
Held to maturity				
Fannie Mae	$ 11,738	$ -	$ (111)	$ 11,627
Freddie Mac	9,745	-	(123)	9,622
Total debt securities	$ 21,483	$ -	$ (234)	$ 21,249

	2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale				
Fannie Mae	$ 41,961	$ 1,385	$ (88)	$ 43,258
Freddie Mac	31,642	964	(2)	32,604
Governmental National Mortgage Association securities	15,300	368	(99)	15,569
Total mortgage-backed securities	88,903	2,717	(189)	91,431
Obligations of states and political subdivisions	21,136	795	-	21,931
U.S. government treasury securities	24,990	-	-	24,990
U.S. government agency securities	7,991	57	-	8,048
Corporate obligations	51,188	807	(521)	51,474
Other debt securities	14,265	495	(150)	14,610
Total debt securities	$ 208,473	$ 4,871	$ (860)	$ 212,484

The following is a summary of unrealized and realized gains and losses recognized in net income on equity securities during the twelve months ended September 30, 2021 and 2020.

(Dollars in thousands)	2021	2020
Net (losses) gains recognized during the period on equity securities	$ 15	$ (8)
Less: Net (losses) gains recognized during the period on equity securities sold during the period	-	-
Unrealized (losses) gains recognized during the reporting period on equity securities still held at the reporting date	$ 15	$ (8)

The amortized cost and fair value of debt securities at September 30, 2021, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties (in thousands):

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 99,998	$ 99,998	$ -	$ -
Due after one year through five years	17,576	17,940	-	-
Due after five years through ten years	63,874	64,659	6,778	6,744
Due after ten years	56,651	57,984	14,705	14,505
Total	$238,099	$240,581	$ 21,483	$ 21,249

For the years ended September 30, 2021 and 2020, the Company realized gross gains of $508,000 and $3.0 million and gross losses of $48,000 and $43,000 respectively, and proceeds from the sale of investment securities of $19.7 million and $115.6 million, respectively.

Investment securities with carrying values of $250.4 million and $212.5 million at September 30, 2021 and 2020, respectively, were pledged to secure public deposits and other purposes as required by law.

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

	2021						
		Less than Twelve Months		Twelve Months or Greater		Total	
	Number of Securities	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fannie Mae	17	$ 15,410	$ (127)	$ 4,078	$ (14)	$ 19,488	$ (141)
Freddie Mac	12	14,466	(165)	-	-	14,466	(165)
Governmental National Mortgage Association securities	4	-	-	2,038	(14)	2,038	(14)
Corporate obligations	28	22,799	(397)	1,937	(56)	24,736	(453)
Other debt securities	8	-	-	2,348	(115)	2,348	(115)
Total	69	$ 52,675	$ (689)	$ 10,401	$ (199)	$ 63,076	$ (888)

	2020						
		Less than Twelve Months		Twelve Months or Greater		Total	
	Number of Securities	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fannie Mae	8	$ 1,397	$ (19)	$ 5,827	$ (69)	$ 7,224	$ (88)
Freddie Mac	1	330	(2)	-	-	330	(2)
Governmental National Mortgage Association securities	7	4,428	(61)	2,996	(38)	7,424	(99)
Corporate obligations	20	13,213	(93)	6,573	(428)	19,786	(521)
Other debt securities	10	-	-	3,879	(150)	3,879	(150)
Total	46	$ 19,368	$ (175)	$ 19,275	$ (685)	$ 38,643	$ (860)

The Company's investment securities portfolio contains unrealized losses on securities, including mortgage-related instruments issued or backed by the full faith and credit of the United States government, or generally viewed as having the implied guarantee of the U.S. government agency securities, U.S. government treasury securities, other mortgage-backed securities, corporate obligations, obligations of states and political subdivisions and other debt securities.

The Company reviews its position quarterly and has asserted that at September 30, 2021 and 2020, the declines outlined in the above table represent temporary declines and the Company would not be required to sell the security before its anticipated recovery in market value.

The Company has concluded that any impairment of its investment securities portfolio at September 30, 2021 and 2020, is not other than temporary but is the result of interest rate changes that are not expected to result in the noncollection of principal and interest during the period.

4. LOANS RECEIVABLE

Loans receivable consist of the following (in thousands):

	2021	2020
Real estate loans:		
Residential	$ 580,313	$ 610,172
Construction	14,013	11,853
Commercial	591,117	509,628
Commercial	63,500	139,603
Obligations of states and political subdivisions	56,164	79,230
Home equity loans and lines of credit	38,426	40,800
Auto loans	13,852	39,795
Other	1,581	2,293
	1,358,966	1,433,374
Less allowance for loan losses	18,113	15,400
Net loans	$ 1,340,853	$ 1,417,974

During 2021 the Company participated in the Paycheck Protection Program ("PPP"), administered directly by the U.S. SBA. The PPP provides loans to small businesses who were affected by economic conditions as a result of COVID-19 to provide cash-flow assistance to employers who maintain their payroll (including healthcare and certain related expenses), mortgage interest, rent, leases, utilities and interest on existing debt during the COVID-19 emergency. As of September 30, 2021, the Company had outstanding principal balances of $22.6 million compared to $76.8 million on September 30, 2020. The PPP loans are fully guaranteed by the SBA and may be eligible for forgiveness by the SBA to the extent that the proceeds are used to cover eligible payroll costs, interest costs, rent, and utility costs over a period of up to 24 weeks after the loan is made as long as certain conditions are met regarding employee retention and compensation levels. PPP loans deemed eligible for forgiveness by the SBA will be repaid by the SBA to the Company. PPP loans are included in the Commercial loan category.

In accordance with the SBA terms and conditions on the outstanding PPP loans of $22.6 million as of September 30, 2021, the Company has approximately $866,000 in unamortized fees associated with the processing of these loans. Upon funding of the loan, these fees were deferred and will be amortized over the life of the loan as an adjustment to yield in accordance with FASB ASC 310-20-25-2.

Included in the September 30, 2021 balances are loans acquired from First Star Bank in 2012, Franklin Security Bank in 2014 and Eagle National Bank in 2015.

The following table presents additional information regarding loans acquired and accounted for in accordance with ASC 310-30 (in thousands):

	2021	2020
	Acquired Loans with Specific Evidence or Deterioration in Credit Quality (ASC 310-30)	Acquired Loans with Specific Evidence or Deterioration in Credit Quality (ASC 310-30)
Outstanding balance	$ 939	$ 1,086
Carrying amount	877	1,025

There has been $182,000 in allowance for loan losses recorded for acquired loans with or without specific evidence of deterioration in credit quality as of September 30, 2021. There has been $146,000 in allowance for loan losses recorded for acquired loans with or without specific evidence of deterioration in credit quality as of September 30, 2020. In addition, no allowance for loan losses has been reversed.

Loans serviced by the Company for others amounted to $193.9 million and $132.6 million at September 30, 2021 and 2020, respectively. The Company began selling current production residential real estate loans to the FHLB in February 2020.

The Company's primary business activity is with customers located in counties where its branch offices are located and to a lesser extent, the contiguous counties in the Commonwealth of Pennsylvania. Commercial, residential, and consumer loans are granted. The Company also funds commercial and residential loans originated outside its immediate trade area provided such loans meet the Company's credit policy guidelines. Although the Company has a diversified loan portfolio at September 30, 2021 and 2020, loans outstanding to individuals and businesses are dependent upon the local economic conditions in its immediate trade area.

The following tables show the amount of loans in each category that was individually and collectively evaluated for impairment at the dates indicated (in thousands):

	Total Loans	Individually Evaluated for Impairment	Loans Acquired with Deteriorated Credit Quality	Collectively Evaluated for Impairment
September 30, 2021				
Real estate loans:				
Residential	$ 580,313	$ 2,646	$ -	$ 577,667
Construction	14,013	-	-	14,013
Commercial	591,117	11,166	877	579,074
Commercial	63,500	1,355	-	62,145
Obligations of states and political subdivisions	56,164	-	-	56,164
Home equity loans and lines of credit	38,426	336	-	38,090
Auto Loans	13,852	39	-	13,813
Other	1,581	8	-	1,573
Total	$ 1,358,966	$ 15,550	$ 877	$ 1,342,539

	Total Loans	Individually Evaluated for Impairment	Loans Acquired with Deteriorated Credit Quality	Collectively Evaluated for Impairment
September 30, 2020				
Real estate loans:				
Residential	$ 610,172	$ 3,949	$ -	$ 606,223
Construction	11,853	-	-	11,853
Commercial	509,628	11,322	1,025	497,281
Commercial	139,603	1,595	-	138,008
Obligations of states and political subdivisions	79,230	-	-	79,230
Home equity loans and lines of credit	40,800	117	-	40,683
Auto Loans	39,795	210	-	39,585
Other	2,293	11	-	2,282
Total	$ 1,433,374	$ 17,204	$ 1,025	$ 1,415,145

The Company maintains a loan review system, which allows for a periodic review of our loan portfolio and the early identification of potential impaired loans. Such system takes into consideration, among other things, delinquency status, size of loans, type and market value of collateral, and financial condition of the borrowers. Specific loan loss allowances are established for identified losses based on a review of such information. A loan evaluated for impairment is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. All loans identified as impaired are evaluated independently. The Company does not aggregate such loans for evaluation purposes. Impairment is measured on a loan-by-loan basis for commercial and construction loans by the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral-dependent.

The following tables include the recorded investment and unpaid principal balances for impaired loans with the associated allowance amount, if applicable, excluding purchased impaired credit loans. Also presented are the average recorded investments in the impaired loans and the related amount of interest recognized during the time within the period that the impaired loans were impaired (in thousands).

	Recorded Investment	Unpaid Principal Balance	Associated Allowance	Average Recorded Investment	Interest Income Recognized
September 30, 2021					
With no specific allowance recorded:					
Real estate loans:					
Residential	$ 2,538	$ 3,610	$ -	$ 3,189	$ 14
Construction	-	-	-	-	-
Commercial	11,152	13,030	-	7,264	-
Commercial	165	176	-	1,470	-
Obligations of states and political subdivisions	-	-	-	-	-
Home equity loans and lines of credit	336	368	-	117	-
Auto loans	39	60	-	49	-
Other	8	21	-	10	-
Subtotal	14,238	17,265	-	12,099	14
With an allowance recorded:					
Real estate loans:					
Residential	108	112	17	208	-
Construction	-	-	-	-	-
Commercial	14	19	14	3,695	-
Commercial	1,190	1,298	397	2,537	-
Obligations of states and political subdivisions	-	-	-	-	-
Home equity loans and lines of credit	-	-	-	-	-
Auto loans	-	-	-	21	-
Other	-	-	-	-	-
Subtotal	1,312	1,429	428	6,461	-
Total:					
Real estate loans:					
Residential	2,646	3,722	17	3,397	14
Construction	-	-	-	-	-
Commercial	11,166	13,049	14	10,959	-
Commercial	1,355	1,474	397	4,007	-
Obligations of states and political subdivisions	-	-	-	-	-
Home equity loans and lines of credit	336	368	-	117	-
Auto loans	39	60	-	70	-
Other	8	21	-	10	-
Total	$ 15,550	$ 18,694	$ 428	$ 18,560	$ 14

	Recorded Investment	Unpaid Principal Balance	Associated Allowance	Average Recorded Investment	Interest Income Recognized
September 30, 2020					
With no specific allowance recorded:					
Real estate loans:					
Residential	$ 3,699	$ 5,070	$ -	$ 3,552	$ 2
Construction	-	-	-	-	-
Commercial	4,203	6,342	-	4,822	1
Commercial	1,539	1,625	-	1,427	4
Obligations of states and political subdivisions	-	-	-	-	-
Home equity loans and lines of credit	117	222	-	245	-
Auto loans	72	131	-	114	1
Other	11	22	-	13	-
Subtotal	9,641	13,412	-	10,173	8
With an allowance recorded:					
Real estate loans:					
Residential	250	271	26	320	-
Construction	-	-	-	-	-
Commercial	7,119	7,169	132	799	-
Commercial	56	57	20	91	-
Obligations of states and political subdivisions	-	-	-	-	-
Home equity loans and lines of credit	-	-	-	2	-
Auto loans	138	143	43	113	1
Other	-	-	-	6	-
Subtotal	7,563	7,640	221	1,331	1
Total:					
Real estate loans:					
Residential	3,949	5,341	26	3,872	2
Construction	-	-	-	-	-
Commercial	11,322	13,511	132	5,621	1
Commercial	1,595	1,682	20	1,518	4
Obligations of states and political subdivisions	-	-	-	-	-
Home equity loans and lines of credit	117	222	-	247	-
Auto loans	210	274	43	227	2
Other	11	22	-	19	-
Total	$ 17,204	$ 21,052	$ 221	$ 11,504	$ 9

The Company uses a ten-point internal risk-rating system to monitor the credit quality of the overall loan portfolio. The first six categories are considered not criticized and are aggregated as Pass-rated. The criticized rating categories utilized by management generally follow bank regulatory definitions. The Special Mention category includes assets that are fundamentally sound yet, exhibit potentially unacceptable credit risk or deteriorating trends or characteristics which if left uncorrected, may result in deterioration of the repayment prospects for the asset or in the Company's credit position at some future date. Loans in the Substandard category have well-defined weaknesses that jeopardize the liquidation of the debt and have a distinct possibility that some loss will be sustained if the weaknesses are not corrected. All loans greater than 90 days past due are considered Substandard. Loans in the Doubtful category have all the weaknesses inherent in one classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Loans in the Loss category are considered uncollectible and of little value that their continuance as bankable assets is not warranted.

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Company has a structured loan rating process with several layers of internal and external oversight. Generally, consumer and residential mortgage loans are included in the Pass categories unless a specific action, such as bankruptcy, repossession, or death, occurs to raise awareness of a possible credit event. The Company's Commercial Loan Officers are responsible for the timely and accurate risk rating of the loans in their portfolios at origination and on an ongoing basis. The Company's Commercial Loan Officers perform an annual review of all commercial relationships $1,000,000 or greater. Confirmation of the appropriate risk grade is included in the review on an ongoing basis. The Company engages an external consultant to conduct loan reviews on at least a semiannual basis. Generally, the external consultant reviews commercial relationships greater than $1,000,000 and/or all criticized relationships equal to or greater than $500,000. Detailed reviews, including plans for resolution, are performed on loans classified as Substandard on a quarterly basis. Loans in the Special Mention and Substandard categories that are evaluated for impairment are given separate consideration in the determination of the allowance.

The following tables present the classes of the loan portfolio summarized by the aggregate Pass and the criticized categories of Special Mention, Substandard, and Doubtful within the internal risk rating system as of September 30, 2021 and 2020 (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
September 30, 2021					
Commercial real estate loans	$ 549,360	$ 20,184	$ 21,573	$ -	$ 591,117
Commercial	61,657	141	1,702	-	63,500
Obligations of states and political subdivisions	56,164	-	-	-	56,164
Total	$ 667,181	$ 20,325	$ 23,275	$ -	$ 710,781

	Pass	Special Mention	Substandard	Doubtful	Total
September 30, 2020					
Commercial real estate loans	$ 479,475	$ 15,022	$ 15,131	$ -	$ 509,628
Commercial	137,860	-	1,743	-	139,603
Obligations of states and political subdivisions	79,230	-	-	-	79,230
Total	$ 696,565	$ 15,022	$ 16,874	$ -	$ 728,461

All other loans are underwritten and structured using standardized criteria and characteristics, primarily payment performance, and are normally risk rated and monitored collectively on a monthly basis. These are typically loans to individuals in the consumer categories and are delineated as either performing or nonperforming.

For residential real estate loans, construction real estate loans, home equity loans and lines of credit, auto loans, and other loans, the Company evaluates credit quality based on the performance of the individual credits. The following tables present the recorded investment in the loan classes based on payment activity as of September 30, 2021 and 2020 (in thousands):

	Performing	Nonperforming	Total
September 30, 2021			
Real estate loans:			
Residential	$ 577,448	$ 2,865	$ 580,313
Construction	14,013	-	14,013
Home equity loans and lines of credit	37,963	463	38,426
Auto Loans	13,809	43	13,852
Other	1,568	14	1,582
Total	$ 644,801	$ 3,385	$ 648,186

	Performing	Nonperforming	Total
September 30, 2020			
Real estate loans:			
Residential	$ 605,549	$ 4,623	$ 610,172
Construction	11,853	-	11,853
Home equity loans and lines of credit	40,581	219	40,800
Auto Loans	39,572	223	39,795
Other	2,282	11	2,293
Total	$ 699,837	$ 5,076	$ 704,913

The Company further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due. The following tables present the classes of the loan portfolio summarized by the aging categories of performing loans, purchased credit impaired loans and nonaccrual loans as of September 30, 2021 and 2020 (in thousands):

	Current	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Due and Past Due	Total Past Due	Purchased Credit Impaired	Total Loans
September 30, 2021							
Real estate loans:							
Residential	$ 576,960	$ 1,029	$ 580	$ 1,744	$ 3,353	$ -	$ 580,313
Construction	14,013	-	-	-	$ -	-	14,013
Commercial	587,779	111	-	2,350	$ 2,461	877	591,117
Commercial	62,243	-	-	1,257	$ 1,257	-	63,500
Obligations of states and political subdivisions	56,164	-	-	-	$ -	-	56,164
Home equity loans and lines of credit	38,223	44	-	159	$ 203	-	38,426
Auto loans	13,576	271	5	-	$ 276	-	13,852
Other	1,513	59	-	9	$ 68	-	1,581
Total	$ 1,350,471	$ 1,514	$ 585	$ 5,519	$ 7,618	$ 877	$ 1,358,966
September 30, 2020							
Real estate loans:							
Residential	$ 606,601	$ 979	$ 402	$ 2,190	$ 3,571	$ -	$ 610,172
Construction	11,853	-	-	-	$ -	-	11,853
Commercial	505,045	1,218	392	1,948	$ 3,558	1,025	509,628
Commercial	138,499	55	65	984	$ 1,104	-	139,603
Obligations of states and political subdivisions	79,230	-	-	-	$ -	-	79,230
Home equity loans and lines of credit	40,584	48	-	168	$ 216	-	40,800
Auto loans	39,056	620	82	37	$ 739	-	39,795
Other	2,282	-	-	11	$ 11	-	2,293
Total	$ 1,423,150	$ 2,920	$ 941	$ 5,338	$ 9,199	$ 1,025	$ 1,433,374

Non-Accrual Loans	**September 30, 2021**	**September 30, 2020**
Real estate loans:		
Residential	$ 2,865	$ 4,623
Construction	-	-
Commercial	11,124	13,426
Commercial	1,358	1,828
Obligations of states and political subdivisions	-	-
Home equity loans and lines of credit	463	219
Auto loans	43	223
Other	14	11
Total	$ 15,867	$ 20,330

There were no loans greater than 90 days delinquent and still accruing interest at September 30, 2021 and 2020.

The allowance for loan losses ("ALL") is maintained at a level necessary to absorb loan losses that are both probable and reasonably estimable. Management, in determining the allowance for loan losses, considers the losses inherent in its loan portfolio and changes in the nature and volume of loan activities, along with the general economic and real estate market conditions. The allowance for loan losses consists of three elements: (1) an allocated allowance, which comprises allowances established on specific loans and class allowances based on historical loss experience and current trends, (2) an allocated allowance based on general economic conditions and other risk factors in our markets and portfolios, and (3) an unallocated allowance not to exceed 10% of total reserves which acts as a contingency against unforeseen future events which may negatively impact the Company's loan portfolio. We maintain a loan review system, which allows for a periodic review of our loan portfolio and the early identification of potential impaired loans. Such system takes into consideration, among other things, delinquency status, size of loans, type and market value of collateral, and financial condition of the borrowers. General loan loss allowances are based upon a combination of factors including, but not limited to, actual loan loss experience, composition of the loan portfolio, current economic conditions, management's judgment and losses which are probable and reasonably estimable. The allowance is increased through provisions charged against current earnings and recoveries of previously charged-off loans.

Loans that are determined to be uncollectible are charged against the allowance. While management uses available information to recognize probable and reasonably estimable loan losses, future loss provisions may be necessary, based on changing economic conditions. Payments received on impaired loans generally are either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. The allowance for loan losses as of September 30, 2021, is maintained at a level that represents management's best estimate of losses inherent in the loan portfolio, and such losses were both probable and reasonably estimable.

In addition, the FDIC and the Pennsylvania Department of Banking, as an integral part of their examination process, have periodically reviewed the Company's allowance for loan losses. The banking regulators may require that the Company recognize additions to the ALL based on their analysis and review of information available to it at the time of their examination.

Management reviews the loan portfolio on a quarterly basis using a defined, consistently applied process in order to make appropriate and timely adjustments to the ALL. When information confirms all or part of specific loans to be uncollectible, these amounts are promptly charged-off against the ALL.

The following table summarizes the primary segments of the ALL, segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment as of September 30, 2021 and 2020 (in thousands):

	Real Estate Loans									
	Residential	Construction	Commercial	Commercial	Obligations of States and Political Subdivisions	Home Equity Loans and Lines of Credit	Auto	Other	Unallocated	Total
ALL balance at September 30, 2019	$ 4,243	$ 53	$ 3,806	$ 1,870	$ 343	$ 329	$ 1,384	$ 28	$ 574	$ 12,630
Charge-offs	(94)	-	(122)	-	-	(61)	(786)	(24)	-	(1,087)
Recoveries	7	-	98	1	-	17	453	6	-	582
Provision	145	74	3,427	(997)	212	52	(271)	15	618	3,275
ALL balance at September 30, 2020	$ 4,301	$ 127	$ 7,209	$ 874	$ 555	$ 337	$ 780	$ 25	$ 1,192	$ 15,400
Individually evaluated for impairment	$ 26	$ -	$ 132	$ 20	$ -	$ -	$ 43	$ -	$ -	$ 221
Collectively evaluated for impairment	4,275	127	7,077	854	555	337	737	25	1,192	15,179
ALL balance at September 30, 2020	$ 4,301	$ 127	$ 7,209	$ 874	$ 555	$ 337	$ 780	$ 25	$ 1,192	$ 15,400
ALL balance at September 30, 2020	$ 4,301	$ 127	$ 7,209	$ 874	$ 555	$ 337	$ 780	$ 25	$ 1,192	$ 15,400
Charge-offs	(83)	-	(76)	(209)	-	(9)	(274)	(1)	-	(652)
Recoveries	311	-	99	-	-	9	246	-	-	665
Provision	(415)	60	3,238	376	(162)	(19)	(520)	(3)	145	2,700
ALL balance at September 30, 2021	$ 4,114	$ 187	$ 10,470	$ 1,041	$ 393	$ 318	$ 232	$ 21	$ 1,337	$ 18,113
Individually evaluated for impairment	$ 17	$ -	$ 14	$ 397	$ -	$ -	$ -	$ -	$ -	$ 428
Collectively evaluated for impairment	4,097	187	10,456	644	393	318	232	21	1,337	17,685
ALL balance at September 30, 2021	$ 4,114	$ 187	$ 10,470	$ 1,041	$ 393	$ 318	$ 232	$ 21	$ 1,337	$ 18,113

The allowance for loan losses is based on estimates, and actual losses will vary from current estimates. Management believes that the granularity of the homogeneous pools and the related historical loss ratios and other qualitative factors, as well as the consistency in the application of assumptions, result in an ALL that is representative of the risk found in the components of the portfolio at any given date. During the year ended September 30, 2021 the Company recorded provision for loan losses for the construction loan, commercial real estate and commercial loan segments, due to either increased loan balances, changes in the loan mix within the pool, and/or charge-off activity in those segments. Credit provisions were recorded for the residential real estate, obligations of states and political subdivisions, home equity loans and lines of credit, other segments and auto loan segments due to either decreased loan balances, changes in the loan mix within the pool, and/or charge-off activity in those segments. During the year ended September 30, 2020 the Company recorded provision for loan losses for the residential real estate, construction loan, commercial real estate, obligations of states and political subdivisions, home equity loans and lines of credit and other segments, due to either increased loan balances, changes in the loan mix within the pool, and/or charge-off activity in those segments. Credit provisions were recorded for the commercial loan and auto loan segments due to either decreased loan balances, changes in the loan mix within the pool, and/or charge-off activity in those segments.

The following is a summary of troubled debt restructurings granted during the periods indicated (dollars in thousands).

	For the Year Ended September 30, 2021		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled debt restructurings			
Real estate loans:			
Residential	4	$ 771	$ 771
Construction	-	-	-
Commercial	4	8,392	8,392
Commercial	-	-	-
Obligations of states and political subdivisions	-	-	-
Home equity loans and lines of credit	-	-	-
Auto loans	-	-	-
Other	-	-	-
Total	8	$ 9,163	$ 9,163

	For the Year Ended September 30, 2020		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled debt restructurings			
Real estate loans:			
Residential	1	$ 534	$ 534
Construction	-	-	-
Commercial	-	-	-
Commercial	-	-	-
Obligations of states and political subdivisions	-	-	-
Home equity loans and lines of credit	-	-	-
Auto loans	-	-	-
Other	-	-	-
Total	1	$ 534	$ 534

Of the eight new troubled debt restructurings granted for the year ended September 30, 2021,six loans totaling $2.4 million were granted terms concessions and two loans totaling $6.8 million were granted terms and rate concessions.

The one new troubled debt restructurings granted for the year ended September 30, 2020 totaled $534,000 and was granted an interest rate concession.

For the years ended September 30, 2021 and 2020 there was no loan modifications classified as troubled debt restructurings that subsequently defaulted within one year of modification

Foreclosed assets acquired in settlement of loans are carried at fair value, less estimated costs to sell. As of September 30, 2021, the Company has initiated formal foreclosure proceedings on $1.3 million of consumer residential mortgages which have not yet been transferred into foreclosed assets.

COVID-19 Loan Forbearance Programs

Section 4013 of the CARES Act provides that banks may elect not to categorize a loan modification as a TDR if the loan modification is (1) related to COVID-19; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19) outbreak declared by the President on March 13, 2020, under the National Emergencies Act terminates, or (B) December 31, 2020.

On December 27, 2020, the president signed into law the Consolidated Appropriations Act, 2021, which amended CARES Act Section 4013. The amendment extends the applicable period for which a financial institution is able to (a) suspend the requirements under United States generally accepted accounting principles for loan modifications related to the coronavirus disease (COVID-19) pandemic that would otherwise be categorized as a troubled debt restructuring and (b) any determination of a loan modified as a result of the effects of the COVID-19 pandemic as being a TDR, including impairment for accounting purposes. The amended end date for the relief related to a financial institution electing to suspend TDR and loan impairment accounting for qualifying modifications was extended from the earlier of December 31, 2020, or 60 days after the national emergency concerning COVID-19 declared by the president terminates to the earlier of January 1, 2022, or 60 days after the national emergency concerning COVID-19 declared by the president terminates.

On April 7, 2020, federal banking regulators issued a revised interagency statement that included guidance on their approach for the accounting of loan modifications in light of the economic impact of the COVID-19 pandemic. The guidance interprets current accounting standards and indicates that a lender can conclude that a borrower is not experiencing financial difficulty if short-term modifications are made in response to COVID-19, such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant related to the loans in which the borrower is less than 30 days past due on its contractual payments at the time a modification program is implemented.

According to the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised) issued by the federal bank regulatory agencies on April 7, 2020, short-term loan modifications not otherwise eligible under Section 4013 that are made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not TDRs. This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant.

At September 30, 2021, 13 of our customers had remained on loan payment deferrals or payments of interest only on loans totaling $31.0 million. In accordance with Section 4013 of the CARES Act and the interagency guidance issued on April 7, 2020, these short-term deferrals are not considered troubled debt restructurings.

In addition, the risk-rating on COVID-19 modified loans did not change, and these loans will not be considered past due until after the deferral period is over and scheduled payments resume. The credit quality of these loans will be reevaluated after the deferral period ends.

5. PREMISES AND EQUIPMENT

Premises and equipment consist of the following (in thousands):

	2021	2020
Land and land improvements	$ 6,075	$ 6,075
Buildings and leasehold improvements	16,404	16,401
Furniture, fixtures, and equipment	13,495	12,900
Construction in process	-	11
	35,974	35,387
Less accumulated depreciation	(22,369)	(21,157)
Total	$ 13,605	$ 14,230

Depreciation expense amounted to $886,000 and $920,000 for the years ended September 30, 2021 and 2020 respectively.

6. DEPOSITS

Deposits and their respective weighted-average interest rates consist of the following major classifications (dollars in thousands):

	2021		2020	
	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate	Amount
Noninterest-bearing demand accounts	-%	$ 257,747	-%	$ 242,642
Interest bearing demand accounts	0.05	551,168	0.16	274,722
Money market accounts	0.14	428,272	0.21	401,863
Savings and club accounts	0.05	189,004	0.05	160,975
Certificates of deposit	0.73	209,924	0.81	463,494
Total	0.15%	$ 1,636,115	0.33%	$ 1,543,696

At September 30, 2021 scheduled maturities of certificates of deposit are as follows (in thousands):

2022	$ 158,763
2023	22,254
2024	14,113
2025	10,856
2026	3,938
Total	$ 209,924

Brokered deposits totaled $225.0 million and $218.2 million at September 30, 2021 and 2020, respectively. The aggregate amount of certificates of deposit with a minimum denomination of $250,000 were $44.9 million and $35.8 million at September 30, 2021 and 2020, respectively.

The scheduled maturities of certificates of deposit in denominations of $250,000 or more as of September 30, 2021, are as follows (in thousands):

Within three months	$ 10,304
Three through six months	22,092
Six through twelve months	9,129
Over twelve months	3,383
Total	$ 44,908

7. SHORT-TERM BORROWINGS

As of September 30, 2021, and 2020, the Company had $0 and $111.7 million of short-term borrowings, respectively. There were no advances in 2021 or 2020 on a $150.0 million line of credit with the FHLB.

All borrowings from the FHLB are secured by a blanket lien on qualified collateral, defined principally as investment securities and mortgage loans that are owned by the Company free and clear of any liens or encumbrances. At September 30, 2021, the Company had a borrowing limit of approximately $726.3 million, with a variable rate of interest, based on the FHLB's cost of funds.

The following table sets forth information concerning short-term borrowings (in thousands):

	2021	2020
Balance at year-end	$ —	$ 111,713
Maximum amount outstanding at any month-end	61,713	239,467
Average balance outstanding during the year	12,661	147,179
Weighted-average interest rate:		
As of year-end	—	0.42%
Paid during the year	0.43%	1.53%

Average balances outstanding during the year represent daily average balances, and average interest rates represent interest expenses divided by the related average balance.

8. OTHER BORROWINGS

There were no FHLB long term advances as of September 30, 2021. On September 30, 2020 the Company had $14.2 million in mid-term advances outstanding. The FHLB long-term advances are secured by qualifying assets of the Bank, which include the FHLB stock, securities, and first-mortgage loans.

9. INCOME TAXES

The provision for income taxes consists of (in thousands):

	2021	2020
Current:		
Federal	$ 3,334	$ 3,313
State	19	4
Total current taxes	3,353	3,317
Deferred income tax expense (benefit)	120	(134)
Total income tax provision	$ 3,473	$ 3,183

The tax effects of deductible and taxable temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows (in thousands):

	2021	2020
Deferred tax assets:		
Allowance for loan losses	$ 3,804	$ 3,234
Adjustment to record funded status of pension plan	507	912
Investment losses subject to Section 382 limitation	1,853	2,022
Net unrealized loss on derivatives	—	1,008
Deferred compensation	334	317
Other real estate owned	154	154
Nonaccrual interest	109	140
Employee stock ownership plan	544	551
Other	2,233	2,586
Total gross deferred tax assets	9,538	10,924
Deferred tax liabilities:		
Pension plan	1,001	899
Mortgage servicing rights	161	83
Premises and equipment	256	45
Net unrealized gain on securities	521	841
Net unrealized gain on derivatives	167	—
Low income housing tax credits	1,013	923
Other	1,806	2,140
Total gross deferred tax liabilities	4,925	4,931
Net deferred tax assets	$ 4,613	$ 5,993

The Company establishes a valuation allowance for deferred tax assets when management believes that the deferred tax assets are not likely to be realized either through a carryback to taxable income in prior years, future reversals of existing taxable temporary differences, and, to a lesser extent, future taxable income.

Accounting principles prescribe 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.

There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Company recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Consolidated Statement of Income. The Company's federal and state income tax returns for taxable years through 2017 have been closed for purposes of examination by the Internal Revenue Service and the Pennsylvania Department of Revenue.

The reconciliation of the federal statutory rate and the Company's effective income tax rate is as follows (dollars in thousands):

	2021		2020	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Provision at statutory rate	$ 4,178	21.0%	$ 3,696	21.0%
Income from bank-owned life insurance	(179)	(0.9)	(198)	(1.3)
Tax-exempt income	(404)	(2.0)	(369)	(2.5)
Low-income housing credits	(187)	(0.9)	(140)	(0.9)
Other, net	65	0.3	194	1.3
Actual tax expense and effective rate	$ 3,473	17.5%	$ 3,183	17.6%

The Bank is subject to the Pennsylvania Mutual Thrift Institutions Tax that is calculated at 11.5 percent of earnings based on U.S. generally accepted accounting principles with certain adjustments.

10. COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, management makes various commitments that are not reflected in the consolidated financial statements. These commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheet. The Company's exposure to credit loss in the event of nonperformance by the other parties to the financial instruments is represented by the contractual amounts as disclosed. Losses, if any, are charged to the allowance for loan losses. The Company minimizes its exposure to credit loss under these commitments by subjecting them to credit approval and review procedures and collateral requirements, as deemed necessary, in compliance with lending policy guidelines.

The off-balance sheet commitments consist of the following (in thousands):

	2021	2020
Commitments to extend credit	$ 254,413	$ 105,339
Standby letters of credit	17,887	10,871
Unfunded lines of credit	119,111	98,455

The commitments outstanding at September 30, 2021, contractually mature in less than one year.

The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheet. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The amount of collateral obtained, as deemed necessary, is based upon management's credit evaluation in compliance with the lending policy guidelines. Since many of the credit line commitments are expected to expire without being fully drawn upon, the total contractual amounts do not necessarily represent future funding requirements.

Standby letters of credit and financial guarantees represent conditional commitments issued to guarantee performance of a customer to a third party. The coverage period for these instruments is typically a one-year period with renewal option subject to prior approval by management. Fees earned from the issuance of these letters are recognized over the coverage period. For secured letters of credit, the collateral is typically Company deposit instruments.

The Company is required to maintain a reserve balance with certain third party providers. At September 30, 2021 the reserve balance was $1.2 million.

Legal Proceedings

The Company and its subsidiaries are subject to various legal actions arising in the normal course of business. In the opinion of Management, the resolution of these legal actions is not expected to have a material adverse effect on the Company's results of operations.

The Bank was named as a defendant in an action commenced on December 8, 2016 by one plaintiff who will also seek to pursue this action as a class action on behalf of the entire class of people similarly situated. The plaintiff alleges that a bank previously acquired by ESSA Bancorp received unearned fees and kickbacks in the process of making loans, in violation of the Real Estate Settlement Procedures Act. In an order dated January 29, 2018, the district court granted the Bank's motion to dismiss the case. The plaintiff appealed the court's ruling. In an opinion and order dated April 26, 2019, the appellate court reversed the district court's order dismissing the plaintiff's case against the Bank, and remanded the case back to the district court in order to continue the litigation. The litigation is now proceeding before the district court. On December 9, 2019, the court permitted an amendment to the complaint to add two new plaintiffs to the case asserting similar claims. On May 21, 2020, the court granted the plaintiffs' motion for class certification. In an order dated November 24, 2020, the court referred the case to a Magistrate Judge to assist in mediation efforts. The case was stayed while the parties explored the potential for a negotiated resolution. The parties engaged in mediation but did not resolve the matter. The parties are now in the discovery process. The Bank will continue to defend against plaintiffs' allegations. To the extent that this matter could result in exposure to the Bank, the amount of such exposure is not currently estimable.

On May 29, 2020, the Bank was named as a defendant in a second action commenced by three plaintiffs who will also seek to pursue this action as a class action on behalf of the entire class of people similarly situated. The plaintiffs allege that a bank previously acquired by ESSA Bancorp received unearned fees and kickbacks from a different title company than the one involved in the previously discussed litigation in the process of making loans. The original complaint alleged violations of the Real Estate Settlement Procedures Act, the Sherman Act, and the Racketeer Influenced and Corrupt Organizations Act ("RICO"). The plaintiffs filed an Amended Complaint on September 30, 2020 that dropped the RICO claim, but they are continuing to pursue the Real Estate Settlement Procedures Act and Sherman Act claims. The Bank moved to dismiss the Sherman Act claim on October 14, 2020, and that motion was denied on April 2, 2021. The parties are now in the discovery process. The Bank will continue to defend against plaintiffs' allegations. To the extent that this matter could result in exposure to the Bank, the amount of such exposure is not currently estimable.

11. 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. On October 1, 2019, the Company adopted ASU No. 2016-02 *"Leases" (Topic 842)* and all subsequent ASUs that modified Topic 842. For the Company, Topic 842 primarily affected the accounting treatment for operating lease agreements in which the Company is the lessee.

Lessee Accounting

Substantially all of the leases in which the Company is the lessee are comprised of real estate property for branches, ATM locations, and office space with terms extending through 2044. All of our leases are classified as operating leases, and therefore, were previously not recognized on the Company's Consolidated Balance sheet. With the adoption of Topic 842, operating lease agreements are required to be recognized on the Consolidated Balance sheet as a right-of-use ("ROU") asset and a corresponding lease liability.

The following table presents the Consolidated Balance Sheet classification of the Company's ROU assets and lease liabilities. 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 Balance sheet.

(in thousands)			September 30, 2021
Lease Right-of-Use Assets	**Classification**		
Operating lease right-of-use assets	Other assets	$	6,222
Total Lease Right-Of-Use Assets		$	6,222

(in thousands)			September 30, 2021
Lease Liabilities	**Classification**		
Operating lease Liabilities	Other liabilities	$	6,370
Total Lease Liabilities		$	6,370

(in thousands)			September 30, 2020
Lease Right-of-Use Assets	**Classification**		
Operating lease right-of-use assets	Other assets	$	7,082
Total Lease Right-Of-Use Assets		$	7,082

(in thousands)			September 30, 2020
Lease Liabilities	**Classification**		
Operating lease Liabilities	Other liabilities	$	7,161
Total Lease Liabilities		$	7,161

The calculated amount of the ROU assets and lease liabilities in the table above 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. For operating leases existing prior to October 1, 2019, the rate for the remaining lease term as of October 1, 2019 was used.

	September 30, 2021
Weighted average remaining lease term	
Operating leases	13.3 years
Weighted average discount rate	
Operating leases	2.44%

	September 30, 2020
Weighted average remaining lease term	
Operating leases	14.0 years
Weighted average discount rate	
Operating leases	2.40%

The following table represents lease costs and other lease information. As the Company elected, for all classes of underlying assets, not to separate lease and non-lease components and instead to account for them as a single lease component, the variable lease cost primarily represents variable payments such as common area maintenance and utilities.

Lease Costs (in thousands)		**Twelve Months Ended September 30, 2021**
Operating lease cost	**$**	**1,056**
Variable lease cost		**294**
Net lease cost	**$**	**1,350**
Lease Costs (in thousands)		**Twelve Months Ended September 30, 2020**
Operating lease cost	**$**	**1,049**
Variable lease cost		**229**
Net lease cost	**$**	**1,278**

Future minimum payments for leases with initial or remaining terms of one year or more as of September 30, 2021 were as follows:

(in thousands)		Leases
Twelve months Ended:		
September 30, 2022	$	813
September 30, 2023		957
September 30, 2024		589
September 30, 2025		507
September 30, 2026		489
Thereafter		4,617
Total future minimum lease payments		7,972
Amounts representing interest		(1,602)
Present Value of Net Future Minimum Lease Payments	$	6,370

12. EMPLOYEE BENEFITS

Employee Stock Ownership Plan ("ESOP")

The Company created an ESOP for the benefit of employees who meet the eligibility requirements, which include having completed one year of service with the Company or its subsidiary and attained age 21. The ESOP trust acquired 1,358,472 shares of the Company's stock from proceeds from a loan with the Company. The Company makes cash contributions to the ESOP on an annual basis sufficient to enable the ESOP to make the required loan payments. Cash dividends paid on allocated shares are distributed to participants and cash dividends paid on unallocated shares are used to repay the outstanding debt of the ESOP. The ESOP trust's outstanding loan bears interest at prime, adjustable each January 1st, which was 3.75% at September 30, 2021 and requires an annual payment of principal and interest through December of 2036. The Company's ESOP, which is internally leveraged, does not report the loans receivable extended to the ESOP as assets and does not report the ESOP debt due to the Company.

As the debt is repaid, shares are released from the collateral and allocated to qualified employees based on the proportion of payments made during the year to the remaining amount of payments due on the loan through maturity. Accordingly, the shares pledged as collateral are reported as unallocated common stock held by the ESOP shares in the Consolidated Balance Sheet. As shares are released from collateral, the Company 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 ESOP expense of $642,000 and $664,000, for the years ended September 30, 2021 and 2020, respectively.

The following table presents the components of the ESOP shares:

	2021	2020
Allocated shares	398,180	374,351
Shares committed to be released	33,962	33,962
Unreleased shares	690,556	735,838
Total ESOP shares	1,122,698	1,144,151
Fair value of unreleased shares (in thousands)	$ 11,387	$ 9,073

Equity Incentive Plan

The Company previously maintained the ESSA Bancorp, Inc. 2007 Equity Incentive Plan (the "Plan"). The Plan provided for a total of 2,377,326 shares of common stock for issuance upon the grant or exercise of awards. Of the shares available under the Plan, 1,698,090 were available to be issued in connection with the exercise of stock options and 679,236 were available to be issued as restricted stock. The Plan allowed for the granting of non-qualified stock options ("NSOs"), incentive stock options ("ISOs"), and restricted stock. Options under the plan were granted at no less than the fair value of the Company's common stock on the date of the grant. As of the effective date of the 2016 Equity Incentive Plan (detailed below), no further grants will be made under the plan and forfeitures of outstanding awards under the plan will be added to the shares available under the 2016 Equity Incentive Plan.

The Company replaced the 2007 Equity Incentive Plan with the ESSA Bancorp, Inc. 2016 Equity Incentive Plan (the "2016 Plan"). The 2016 Plan provides for a total of 250,000 shares of common stock for issuance upon the grant or exercise of awards. The 2016 Plan allows for the granting of restricted stock, restricted stock units, incentive stock options and non-qualified stock options.

The Company classifies share-based compensation for employees and outside directors within "Compensation and employee benefits" in the Consolidated Statement of Income to correspond with the same line item as compensation paid.

Restricted stock shares outstanding at September 30, 2021 vest over periods ranging from 1 year to 3 years. The product of the number of shares granted and the grant date market price of the Company's common stock determines the fair value of restricted shares under the Company's restricted stock plan. The Company expenses the fair value of all share based compensation grants over the requisite service period.

During the years ended September 30, 2021 and 2020, the Company recorded $515,000 and $504,000 of share-based compensation expense consisting of restricted stock expense. Expected future compensation expense relating to the restricted shares outstanding, at September 30, 2021 is $1.1 million over the remaining vesting period of 3.08 years.
The following is a summary of the status of the Company's nonvested restricted stock as of September 30, 2021, and changes therein during the year then ended:

	Number of Restricted Stock	Weighted-Average Grant Date Fair Value
Nonvested at September 30, 2020	35,245	$ 16.15
Granted	43,939	12.56
Vested	(35,080)	14.36
Forfeited	(1,988)	14.15
Nonvested at September 30, 2021	42,116	$ 13.99

Defined Benefit Plan

The Bank sponsors a trusteed, noncontributory defined benefit pension plan covering substantially all employees and officers. The plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with the Bank and compensation rates near retirement. The Bank's funding policy is to make annual contributions, if needed, based upon the funding formula developed by the plan's actuary. In February 2017, the Bank amended the defined benefit pension plan to provide that no additional participants would enter the plan and no additional benefits would accrue beyond February 28, 2017.

The following table sets forth the change in plan assets and benefit obligation at September 30 (in thousands):

	2021	2020
Change in benefit projected obligation:		
Projected benefit obligation at beginning of year	$ 20,315	$ 17,637
Service cost	-	-
Interest cost	450	485
Actuarial losses	599	2,670
Benefits paid	(469)	(477)
Projected benefit obligation at end of year	20,895	20,315
Change in plan assets:		
Fair value of plan assets at beginning of year	20,253	19,395
Actual return on plan assets	3,464	1,335
Contributions	-	-
Benefits paid	(469)	(477)
Fair value of plan assets at end of year	23,248	20,253
Funded status	$ 2,353	$ (62)

Amounts not yet recognized as a component of net periodic pension cost (in thousands):

	2021	2020
Amounts recognized in accumulated other comprehensive income consist of:		
Net loss	$ 2,413	$ 4,344

The accumulated benefit obligation for the defined benefit pension plan was $20.9 million and $20.3 million at September 30, 2021 and 2020, respectively.

The following table comprises the components of net periodic benefit cost for the years ended September 30 (in thousands):

	2021	2020
Service cost	$ -	$ -
Interest cost	450	485
Expected return on plan assets	(1,155)	(1,076)
Recognized net actuarial loss	221	-
Net periodic (benefit) cost	$ (484)	$ (591)

Weighted-average assumptions used to determine benefit obligations:

	2021	2020
Discount rate	2.61%	2.33%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost for the years ended:

	2021	2020
Discount rate	2.33%	3.00%
Expected long-term return on plan assets	6.00%	6.00%
Rate of compensation increase	N/A	N/A

The expected long-term rate of return was estimated using market benchmarks by which the plan assets would outperform the market in the future, based on historical experience adjusted for changes in asset allocation and expectations for overall lower future returns on similar investments compared with past periods.

Plan Assets

The following tables set forth by level, within the fair value hierarchy, the plan's financial assets at fair value as of September 30, 2021 and 2020 (in thousands):

	September 30, 2021			
	Level I	Level II	Level III	Total
Investment in collective trusts:				
Fixed income	$ -	$ 9,432	$ -	$ 9,432
Equity	-	13,777	-	13,777
Investment in short-term investments	-	39	-	39
Total assets at fair value	$ -	$ 23,248	$ -	$ 23,248

	September 30, 2020			
	Level I	Level II	Level III	Total
Investment in collective trusts:				
Fixed income	$ -	$ 8,047	$ -	$ 8,047
Equity	-	11,900	-	11,900
Investment in short-term investments	-	306	-	306
Total assets at fair value	$ -	$ 20,253	$ -	$ 20,253

Investments in collective trusts and short-term investments are valued at the net asset value of shares held by the plan.

The Bank's defined benefit pension plan weighted-average asset allocations at September 30, 2021 and 2020 by asset category, are as follows:

	September 30,	
Asset Category	2021	2020
Fixed income securities	40.6%	39.7%
Equity securities	59.2	58.8
Other	0.2	1.5
Total	100.0%	100.0%

The Bank believes that the plan's risk and liquidity position are, in large part, a function of the asset class mix. The Bank desires to utilize a portfolio mix that results in a balanced investment strategy. Three asset classes are outlined, as above. The target allocations of these classes are as follows: equity securities, 65 percent, and cash and fixed income securities, 35 percent.

Cash Flows

The Bank does not expect to make any contributions to its pension plan in 2022.

Estimated future benefit payments, which reflect expected future service, as appropriate, are as follows (in thousands):

2022	$	714
2023		917
2024		774
2025		1,732
2026		1,396
2027-2031		4,434

401(k) Plan

The Bank also has a savings plan qualified under Section 401(k) of the Internal Revenue Code, which covers substantially all employees over 21 years of age. Employees can contribute to the plan, but are not required to. Employer contributions were reinstated in March 2017. Employer contributions are allocated based on employee contribution levels. The expense related to the plan for the year ended September 30, 2021 and 2020 was $489,000 and $473,000, respectively.

Supplemental Executive Retirement Plan

The Bank maintains a salary continuation agreement with certain executives of the Bank, which provides for benefits upon retirement to be paid to the executive for no less than 192 months, unless the executive elects to receive the present value of the payments as a lump sum. The Bank has recorded accruals of $2.3 million and $2.2 million at September 30, 2021 and 2020, respectively which represent the estimated present value (using a discount rate of 6.00 percent) of the benefits earned under this agreement. There was $66,000 and $53,000 in expense related to the supplemental executive retirement plan for the years ended September 30, 2021 and 2020, respectively.

13. REGULATORY RESTRICTIONS

Reserve Requirements

The Bank is required to maintain reserve funds in cash or in deposit with the Federal Reserve Bank. The required reserve at September 30, 2021 and 2020, was $0 for both years. In response to the pandemic, the Federal Reserve Bank reduced the reserve requirement to zero effective March 26, 2020.

Dividend Restrictions

Federal banking laws, regulations, and policies limit the Bank's ability to pay dividends to the Company. Dividends may be declared and paid by the Bank only out of net earnings for the then current year. A dividend may not be declared or paid if it would impair the general reserves of the Bank as required to be maintained under the Pennsylvania Banking.

14. REGULATORY CAPITAL REQUIREMENTS

Federal regulations require the Bank and the Company to maintain certain minimum amounts of capital. Specifically, the Bank is required to maintain certain minimum dollar amounts and ratios of Total and Tier 1 capital to risk-weighted assets, of Tier 1 capital to average total assets, and common equity Tier 1 capital to risk-weighted assets.

Bank holding companies are generally subject to statutory capital requirements, which were implemented by certain of the new capital regulations described above that became effective on January 1, 2015. However, the Small Banking Holding Company Policy Statement exempts certain small bank holding companies like the Company from those requirements provided that they meet certain conditions.

In addition to the capital requirements, the Federal Deposit Insurance Corporation Improvement Act ("FDICIA") established five capital categories ranging from "well capitalized" to "critically undercapitalized." Should any institution fail to meet the requirements to be considered "adequately capitalized," it would become subject to a series of increasingly restrictive regulatory actions. Management believes that, as of September 30, 2021, the Bank met all capital adequacy requirements to which it is subject.

As of September 30, 2021, and 2020, the FDIC categorized the Bank and the Federal Reserve categorized the Company as well capitalized under the regulatory framework for prompt corrective action. To be classified as a well-capitalized financial institution, Total risk-based, Tier 1 risk-based, common equity Tier 1 capital and Tier 1 leverage capital must be at least 10 percent, 8 percent, 6.5 percent, and 5 percent, respectively. There have been no conditions or events since the notification that management believes have changed the Bank's or the Company's category.

The Bank's actual capital ratios are presented in the following table (dollars in thousands):

	2021		2020	
	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)				
Actual	$ 199,019	14.5%	$ 192,423	13.7%
For capital adequacy purposes	110,039	8.0	112,039	8.0
To be well capitalized	137,549	10.0	140,049	10.0
Tier 1 capital (to risk-weighted assets)				
Actual	$ 181,814	13.2%	$ 176,971	12.6%
For capital adequacy purposes	82,529	6.0	84,029	6.0
To be well capitalized	110,039	8.0	112,039	8.0
Common equity tier 1 capital (to risk-weighted assets)				
Actual	$ 181,814	13.2%	$ 176,971	12.6%
For capital adequacy purposes	61,897	4.5	63,022	4.5
To be well capitalized	89,407	6.5	91,032	6.5
Tier 1 capital (to adjusted assets)				
Actual	$ 181,814	10.0%	$ 176,971	9.1%
For capital adequacy purposes	72,390	4.0	77,919	4.0
To be well capitalized	90,488	5.0	97,399	5.0

15. FAIR VALUE

The following disclosures show the hierarchal disclosure framework associated within the level of pricing observations utilized in measuring assets and liabilities at fair value. The definition of fair value maintains the exchange price notion in earlier definitions of fair value but focuses on the exit price of the asset or liability. The exit price is the price that would be received to sell the asset or paid to transfer the liability adjusted for certain inherent risks and restrictions. Expanded disclosures are also required about the use of fair value to measure assets and liabilities.

Assets and Liabilities Required to be Measured and Reported at Fair Value on a Recurring Basis

The following tables provide the fair value for assets required to be measured and reported at fair value on a recurring basis on the Consolidated Balance Sheet as of September 30, 2021 and September 30, 2020 by level within the fair value hierarchy (in thousands).

Reoccurring Fair Value Measurements at Reporting Date				
	September 30, 2021			
	Level I	Level II	Level III	Total
Assets:				
Investment securities available for sale:				
Mortgage-backed securities	$ -	$ 55,068	$ -	$ 55,068
Obligations of states and political subdivisions	-	13,246	-	13,246
U.S. government treasury securities	-	99,997	-	99,997
U.S. government agency securities	-	2,002	-	2,002
Corporate obligations	-	47,505	11,112	58,617
Other debt securities	-	11,651	-	11,651
Total debt securities	-	229,469	11,112	240,581
Equity securities - financial services	32	-	-	32
Derivatives and hedging activities	-	2,554	-	2,554
Liabilities:				
Derivatives and hedging activities	-	1,755	-	1,755

Reoccurring Fair Value Measurements at Reporting Date				
	September 30, 2020			
	Level I	Level II	Level III	Total
Assets:				
Investment securities available for sale:				
Mortgage-backed securities	$ -	$ 91,431	$ -	$ 91,431
Obligations of states and political subdivisions	-	21,931	-	21,931
U.S. government treasury securities		24,990		24,990
U.S. government agency securities	-	8,048	-	8,048
Corporate obligations	-	43,214	8,260	51,474
Other debt securities	-	14,610	-	14,610
Total debt securities	-	204,224	8,260	212,484
Equity securities - financial services	17	-	-	17
Derivatives and hedging activities	-	2,192	-	2,192
Liabilities:				
Derivatives and hedging activities	-	7,002	-	7,002

The following tables present a summary of changes in the fair value of the Company's Level III investments for years ended September 30, 2021 and 2020 (in thousands).

	Fair Value Measurement Using Significant Unobservable Inputs (Level III)	
	September 30, 2021	September 30, 2020
Beginning balance	$ 8,260	$ 7,792
Purchases, sales, issuances, settlements, net	2,608	500
Total unrealized gain:		
Included in earnings	-	-
Included in other comprehensive income	244	(32)
Transfers into Level III	-	-
Transfers out of Level III	-	-
	$ 11,112	$ 8,260

Each financial asset and liability is identified as having been valued according to a specified level of input, 1, 2 or 3. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets, and inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy, within which the fair value measurement in its entirety falls, has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset.

The measurement of fair value should be consistent with one of the following valuation techniques: market approach, income approach, and/or cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). For example, valuation techniques consistent with the market approach often use market multiples derived from a set of comparable. Multiples might lie in ranges with a different multiple for each comparable. The selection of where within the range the appropriate multiple falls requires judgment, considering factors specific to the measurement (qualitative and quantitative). Valuation techniques consistent with the market approach include matrix pricing. Matrix pricing is a mathematical technique used principally to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on a security's relationship to other benchmark quoted securities. Most of the securities classified as available for sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quoted market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things. Securities reported at fair value utilizing Level 1 inputs are limited to actively traded equity securities whose market price is readily available from the New York Stock Exchange or the NASDAQ exchange. A few securities are valued using Level 3 inputs, all of these are classified as available for sale and are reported at fair value using Level 3 inputs.

Assets and Liabilities Required to be Measured and Reported on a Non-Recurring Basis

The following tables provide the fair value for assets required to be measured and reported at fair value on a non recurring basis on the Consolidated Balance Sheet as of September 30, 2021 and September 30, 2020 by level within the fair value hierarchy:

	September 30, 2021			
	Level I	Level II	Level III	Total Fair Value
Financial assets:				
Foreclosed real estate	$ -	$ -	$ 461	$ 461
Impaired loans	-	-	15,122	15,122

	September 30, 2020			
	Level I	Level II	Level III	Total Fair Value
Financial assets:				
Foreclosed real estate	$ -	$ -	$ 269	$ 269
Impaired loans	-	-	16,983	16,983

The following tables present additional quantitative information about assets measured at fair value on a nonrecurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

	Quantitative Information About Level III Fair Value Measurements			
	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weighted Average)
September 30, 2021				
Impaired loans	$ 15,122	Appraisal of collateral (1)	Appraisal adjustments (2)	0% to 50% (24.1%)
Foreclosed real estate owned	461	Appraisal of collateral (1)	Appraisal adjustments (2)	20% to 35% (20.1%)
September 30, 2020				
Impaired loans	$ 16,983	Appraisal of collateral (1)	Appraisal adjustments (2)	0% to 35% (20.5%)
Foreclosed real estate owned	269	Appraisal of collateral (1)	Appraisal adjustments (2)	20% to 35% (25.7%)

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various level 3 inputs which are not identifiable.

(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal.

Investment Securities Available for Sale

The fair value of securities available for sale are determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices. For certain securities which are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence (Level 3). In the absence of such evidence, management's best estimate is used. Management's best estimate consists of both internal and external support on certain Level 3 investments. Internal cash flow models using a present value formula that includes assumptions market participants would use along with indicative exit pricing obtained from broker/dealers (where available) are used to support fair values of certain Level 3 investments, if applicable.

Equity Securities

The fair value of equity securities are determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1).

Impaired Loans

The Company has measured impairment on impaired loans generally based on the fair value of the loan's collateral. Evaluating impaired loan collateral is based on Level II inputs utilizing outside appraisals. Those impaired loans for which management incorporates significant adjustments for sales costs and other discount assumptions regarding market conditions are considered Level III fair values. The fair value consists of the loan balances of $15.6 million less their valuation allowances of $428,000 at September 30, 2021. The fair value consists of the loan balances of $17.2 million less their valuation allowances of $221,000 at September 30, 2020.

Foreclosed Real Estate Owned

Foreclosed real estate owned is measured at fair value, less cost to sell at the date of foreclosure; valuations are periodically performed by management; and the assets are carried at fair value, less cost to sell. Income and expenses from operations and changes in valuation allowance are included in the net expenses from foreclosed real estate.

Derivatives

The Company's objectives in using interest rate derivatives are to add stability to interest income and expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company has entered into interest rate swaps as part of its interest rate risk management strategy. These interest rate swaps are designated as cash flow hedges and involve the receipt of variable rate amounts from a counterparty in exchange for the Company making fixed payments. The fair value of the swap asset and liability is based on an external derivative model using data inputs as of the valuation date and are classified Level 2.

Assets and Liabilities not Required to be Measured and Reported at Fair Value

The methods and assumptions used by the Company in estimating fair values of financial instruments at September 30, 2021and 2020 is in accordance with ASC Topic 825, *Financial Instruments* which requires public entities to use exit pricing in the calculations of the tables below. Prior period fair value calculations were run on the assumption of entry pricing and therefore the comparability between the periods below are diminished.

	September 30, 2021				
	Carrying Value	Level I	Level II	Level III	Total Fair Value
Financial assets:					
Loans receivable, net	$ 1,340,853	$ -	$ -	$ 1,353,420	$ 1,353,420
Mortgage servicing rights	763	-	-	998	998
Investment securities held to maturity	21,483			21,249	21,249
Financial liabilities:					
Deposits	1,636,115	1,426,191	-	209,660	1,635,851
Other borrowings	-	-	-	-	-

	September 30, 2020				
	Carrying Value	Level I	Level II	Level III	Total Fair Value
Financial assets:					
Loans receivable, net	$ 1,417,974	$ -	$ -	$ 1,426,962	$ 1,426,962
Mortgage servicing rights	393	-	-	393	393
Financial liabilities:					
Deposits	1,543,695	1,080,201	-	467,630	1,547,831
Other borrowings	14,164	-	-	14,395	14,395

For Cash and Cash Equivalents, Accrued Interest Receivable, Regulatory Stock, Bank Owned Life Insurance, Short-Term Borrowings, Advances by Borrowers for Taxes and Insurance, and Accrued Interest Payable the carrying value is a reasonable estimate of the fair value and are considered Level 1 measurements.

The fair value approximates the current book value.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The activity in accumulated other comprehensive income (loss) for the years ended September 30, 2021 and 2020, is as follows (in thousands):

	Accumulated Other Comprehensive Income (Loss) [1]			
	Defined Benefit Pension Plan	Unrealized Gains (Losses) on Securities Available for Sale	Derivatives	Total
Balance at September 30, 2020	$ (3,432)	$ 3,167	$ (3,791)	$ (4,056)
Other comprehensive income (loss) before reclassifications	1,350	(842)	2,837	3,345
Amounts reclassified from accumulated other comprehensive loss	175	(363)	1,581	1,393
Period change	1,525	(1,205)	4,418	4,738
Balance at September 30, 2021	$ (1,907)	$ 1,962	$ 627	$ 682
Balance at September 30, 2019	$ (1,527)	$ 807	$ (560)	$ (1,280)
Other comprehensive income (loss) before reclassifications	(1,905)	4,672	(3,669)	(902)
Amounts reclassified from accumulated other comprehensive loss	-	(2,312)	438	(1,874)
Period change	(1,905)	2,360	(3,231)	(2,776)
Balance at September 30, 2020	$ (3,432)	$ 3,167	$ (3,791)	$ (4,056)

(1) All amounts are net of tax. Related income tax expense or benefit is calculated using an income tax rate approximating 21% in Fiscal 2021 and 2020.

Details About Accumulated Other Comprehensive Income (Loss) Components *(in thousands)*	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) For the Year Ended September 30, [3] 2021	2020	Affected Line Item in the Consolidated Statement of Income
Securities available for sale [1]:			
Net securities gains reclassified into earnings	$ 460	$ 2,927	Gain on sale of investment securities, net
Related income tax expense	(97)	(615)	Income taxes
Net effect on accumulated other comprehensive loss for the period	363	2,312	
Defined benefit pension plan [2]:			
Amortization of net (loss) gain and prior service costs	(221)	-	Other expense
Related income tax expense	46	-	Income taxes
Net effect on accumulated other comprehensive loss for the period	(175)	-	
Derivatives and Hedging Activities [2]:			
Interest expense, effective portion	(2,001)	(554)	Interest expense
Related income tax expense	420	116	Income taxes
Net effect on accumulated other comprehensive loss for the period	(1,581)	(438)	
Total reclassifications for the period	$ (1,393)	$ 1,874	

(1) For additional details related to unrealized gains on securities and related amounts reclassified from accumulated other comprehensive income (loss) see Note 3, "Investment Securities."

(2) For additional details related to derivative financial instruments see Note17, "Derivatives and Hedging Activities."

(3) Amounts in parenthesis indicate debits.

17. DERIVATIVES AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments.

Fair Values of Derivative Instruments on the Consolidated Balance Sheet

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Consolidated Balance Sheet as of September 30, 2021 and 2020, (in thousands).

	Fair Values of Derivative Instruments Asset Derivatives					
Hedged Item	Notional Amount	As of September 30, 2021 Balance Sheet Location	Fair Value	Notional Amount	As of September 30, 2020 Balance Sheet Location	Fair Value
Brokered Deposits	$ 175,000	Other Assets	$ 1,247	$ -		$ -
Commercial Loans	71,326	Other Assets	1,307	55,784	Other Assets	2,192
Total derivatives designated as hedging instruments	$ 246,326		$ 2,554	$ 55,784		$ 2,192

	Fair Values of Derivative Instruments Liability Derivatives					
Hedged Item	Notional Amount	As of September 30, 2021 Balance Sheet Location	Fair Value		As of September 30, 2020 Balance Sheet Location	Fair Value
Brokered Deposits	$ 60,000	Other Liabilities	$ 452	$ 25,000	Other Liabilities	$ 700
FHLB Advances	-	Other Liabilities	-	410,000	Other Liabilities	4,098
Commercial Loans	103,831	Other Liabilities	1,303	70,784	Other Liabilities	2,204
Total derivatives designated as hedging instruments	$ 163,831		$ 1,755	$ 505,784		$ 7,002

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest income and expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company has entered into interest rate swaps as part of its interest rate risk management strategy. These interest rate swaps are designated as cash flow hedges and involve the receipt of variable rate amounts from a counterparty in exchange for the Company making fixed payments. As of September 30, 2021, the Company had eleven interest rate swaps with a notional of $235 million associated with the Company's cash outflows associated with various brokered deposits and $175 million associated with commercial loans. As of September 30, 2020, the Company had 19 interest rate swaps with a notional of $435 million associated with the company's cash outflows associated with various FHLB advances and $127 million associated with commercial loans.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (outside of earnings), net of tax, and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in cash flows of the derivative hedging instrument with the changes in cash flows of the designated hedged transactions. The Company did not recognize any hedge ineffectiveness in earnings during the periods ended September 30, 2021 and 2020.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest income/expense as interest payments are made/received on the Company's variable-rate assets/liabilities. During the 12 months ended September 30, 2021 and 2020, the Company had $2.0 million and $554,000 in losses classified to interest expense, respectively. During the next twelve months, the Company estimates that $820,000 will be reclassified as an increase in interest expense.

The table below presents the effect of the Company's cash flow hedge accounting on Accumulated Other Comprehensive Income for the periods ended September 30, 2021 and 2020 (in thousands).

The Effect of Fair Value and Cash Flow Hedge Accounting on Accumulated Other Comprehensive Income

Derivatives in Hedging Relationships	Amount of (Loss) Gain Recognized in OCI on Derivative		Location of Gain Reclassified from Accumulated OCI into Income	Amount of (Loss) Gain Reclassified from Accumulated OCI into Income	
	Year Ended September 30, 2021	Year Ended September 30, 2020		Year Ended September 30, 2021	Year Ended September 30, 2020
Derivatives in Cash Flow Hedging Relationships					
Interest Rate Products	$ 5,592	$ (4,091)	Interest Expense	$ (2,001)	$ (554)
Total	$ 5,592	$ (4,091)		$ (2,001)	$ (554)

Credit-risk-related Contingent Features

The Company has agreements with its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations.

The Company also has agreements with certain of its derivative counterparties that contain a provision where if the Company fails to maintain its status as a well / adequately capitalized institution, then the counterparty could terminate the derivative positions and the Company would be required to settle its obligations under the agreements.

As of September 30, 2021 and 2020 the Company had derivatives in a net liability position and was required to post $640,000 and $7.5 million in collateral against its obligations under these agreements. If the Company had breached any of these provisions at September 30, 2021 and 2020, it could have been required to settle its obligations under the agreements at the termination value.

18. REVENUE RECOGNITION

The Company accounts for its applicable revenue in accordance with ASC Topic 606 – *Revenue from Contracts with Customers.* The core principle of Topic 606 is that an entity recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. Topic 606 requires entities to exercise judgment when considering the terms of a contract. Topic 606 applies to all contracts with customers to provide goods or services in the ordinary course of business, except for contracts that are specifically excluded from its scope.

Topic 606 does not apply to revenue associated with interest income on financial instruments, including loans and securities. Additionally, certain noninterest income streams, such as income from bank-owned life insurance, gains on loans sold, and gains and losses on sales of debt and equity securities, are out of scope of Topic 606. The Company has evaluated the nature of its contracts with customers and determined that further disaggregation beyond what is presented in the Consolidated Statement of Income was not necessary.

The main types of non interest income within the scope of the standard are:

Trust and Investment Fees

Trust and asset management income is primarily comprised of fees earned from the management and administration of trusts and other customer assets. The Company's performance obligation is generally satisfied over time and the resulting fees are recognized monthly, based upon the month-end market value of the assets under management and the applicable fee rate. Payment is generally received a few days after month end through a direct charge to customer's accounts. The Company does not earn performance-based incentives. Optional services such as real estate sales and tax return preparation services are also available to existing trust and asset management customers. The Company's performance obligation for these transactional-based services is generally satisfied, and related revenue recognized, at a point in time (i.e. as incurred). Payment is received shortly after services are rendered.

Service Charges on Deposit Accounts

Service charges on deposit accounts consist of account analysis fees (i.e. net fees earned on analyzed business and public checking accounts), monthly service fees, check orders, and other deposit account related fees. The Company's performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Check orders and other deposit account related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

Fees, Exchange, and Other Service Charges

Fees, interchange, and other service charges are primarily comprised of debit card income, ATM fees, cash management income, and other services charges. Debit card income is primarily comprised of interchange fees earned whenever the Company's debit cards are processed through card payment networks such as Mastercard. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM or a non-Company cardholder uses a company ATM. Other service charges include revenue from processing wire transfers, bill pay service, cashier's checks, and other services. The Company's performance obligation for fees, exchange, and other service charges are largely satisfied, and related revenue recognized when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

Insurance Commissions

Insurance income primarily consists of commissions received on product sales. The Company acts as an intermediary between the Company's customer and the insurance carrier. The Company's performance obligation is generally satisfied upon the issuance of the policy. Shortly after the policy is issued, the carrier remits the commission payment to the Company, and the Company recognizes the revenue.

19. PARENT COMPANY

Condensed financial statements of ESSA Bancorp, Inc. are as follows (in thousands):

CONDENSED BALANCE SHEET

	September 30,	
	2021	2020
ASSETS		
Cash and due from banks	$ 3,203	$ 2,044
Equity securities	32	17
Investment in subsidiary	196,817	187,507
Premises and equipment, net	401	411
Other assets	1,530	1,590
TOTAL ASSETS	$ 201,983	$ 191,569
LIABILITIES AND STOCKHOLDERS' EQUITY		
Other liabilities	$ 161	$ 172
Stockholders' equity	201,822	191,397
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 201,983	$ 191,569

CONDENSED STATEMENT OF INCOME

	Year Ended September 30, 2021	Year Ended September 30, 2020
INCOME		
Interest income	$ 332	$ 492
Unrealized gain on equity securities	(15)	8
Dividends	12,501	10,000
Total income	12,818	10,500
EXPENSES		
Professional fees	473	393
Other	3	30
Total expenses	476	423
Income before income tax (benefit) expense	12,342	10,077
Income tax (benefit) expense	(22)	18
Income before equity in undistributed net earnings of subsidiary	12,364	10,059
Equity in undistributed net earnings of subsidiary	4,060	4,357
NET INCOME	$ 16,424	$ 14,416
COMPREHENSIVE INCOME	$ 21,162	$ 11,640

CONDENSED STATEMENT OF CASH FLOWS

	Year Ended September 30, 2021	Year Ended September 30, 2020
OPERATING ACTIVITIES		
Net income	$ 16,424	$ 14,416
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed net earnings of subsidiary	(4,060)	(4,357)
Provision for depreciation	10	10
Increase in accrued income taxes	36	(4)
Decrease (increase) in accrued interest receivable	117	67
Other, net	404	684
Net cash provided by operating activities	12,931	10,816
FINANCING ACTIVITIES		
Purchase of treasury stock shares	(7,078)	(6,567)
Dividends on common stock	(4,694)	(4,559)
Net cash used for financing activities	(11,772)	(11,126)
Decrease in cash	1,159	(310)
CASH AT BEGINNING OF YEAR	2,044	2,354
CASH AT END OF YEAR	$ 3,203	$ 2,044

20. SELECTED QUARTERLY DATA (UNAUDITED)

	Three Months Ended			
	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021
Total interest income	$ 14,912	$ 14,663	$ 14,403	$ 14,709
Total interest expense	2,000	1,632	1,251	910
Net interest income	12,912	13,031	13,152	13,799
Provision for loan losses	900	900	600	300
Net interest income after provision for loan losses	12,012	12,131	12,552	13,499
Total noninterest income	3,135	3,515	2,293	2,550
Total noninterest expense	10,178	10,435	10,018	11,159
Income before income taxes	4,969	5,211	4,827	4,890
Income taxes expense	834	871	801	967
Net income	$ 4,135	$ 4,340	$ 4,026	$ 3,923
Per share data:				
Net income				
Basic	$ 0.41	$ 0.43	$ 0.41	$ 0.40
Diluted	$ 0.41	$ 0.43	$ 0.41	$ 0.40
Average shares outstanding				
Basic	10,071,087	10,033,012	9,905,725	9,737,685
Diluted	10,073,907	10,035,027	9,907,788	9,738,696

	Three Months Ended			
	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Total interest income	$ 16,513	$ 16,344	$ 15,853	$ 15,362
Total interest expense	4,687	4,612	3,653	2,913
Net interest income	11,826	11,732	12,200	12,449
Provision for loan losses	375	500	1,300	1,100
Net interest income after provision for loan losses	11,451	11,232	10,900	11,349
Total noninterest income	2,426	2,705	2,883	5,241
Total noninterest expense	9,763	9,824	9,130	11,871
Income before income taxes	4,114	4,113	4,653	4,719
Income taxes expense	704	706	876	897
Net income	$ 3,410	$ 3,407	$ 3,777	$ 3,822
Per share data:				
Net income				
Basic	$ 0.33	$ 0.33	$ 0.37	$ 0.35
Diluted	$ 0.33	$ 0.33	$ 0.37	$ 0.35
Average shares outstanding				
Basic	10,482,273	10,462,013	10,260,495	10,159,246
Diluted	10,482,283	10,462,013	10,260,729	10,159,246

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.

ESSA BANCORP, INC.

December 14, 2021

By: /s/ Gary S. Olson
Gary S. Olson
President and Chief Executive Officer
(Duly Authorized Representative)

Pursuant to the requirements of the Securities Exchange 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.

Signatures	Title	Date
/s/ Gary S. Olson Gary S. Olson	President, Chief Executive Officer and Director (Principal Executive Officer)	December 14, 2021
/s/ Allan A. Muto Allan A. Muto	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	December 14, 2021
/s/ Robert C. Selig, Jr. Robert C. Selig, Jr.	Chairman of the Board	December 14, 2021
/s/ Joseph S. Durkin Joseph S. Durkin	Director	December 14, 2021
/s/ Daniel J. Henning Daniel J. Henning	Director	December 14, 2021
/s/ Christine D. Gordon, J.D. Christine D. Gordon, J.D.	Director	December 14, 2021
/s/ Philip H. Hosbach, IV Philip H. Hosbach, IV	Director	December 14, 2021
/s/ Tina Q. Richardson Tina Q. Richardson	Director	December 14, 2021
/s/ Carolyn P. Stennett Carolyn P. Stennett	Director	December 14, 2021
/s/ Elizabeth B. Weekes Elizabeth B. Weekes	Director	December 14, 2021

Exhibit 31.1

Certification of Principle Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gary S. Olson, certify that:

1. I have reviewed this Annual Report on Form 10-K of ESSA Bancorp, Inc., a Pennsylvania corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 14, 2021

/s/ Gary S. Olson
Gary S. Olson
President and Chief Executive Officer

Exhibit 31.2

Certification of Principle Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Allan A. Muto, certify that:

1. I have reviewed this Annual Report on Form 10-K of ESSA Bancorp, Inc., a Pennsylvania corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 14, 2021

/s/ Allan A. Muto
Allan A. Muto
Executive Vice President and Chief Financial Officer

Exhibit 32

Certification of Principle Executive Officer and Principle Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Gary S. Olson, Chief Executive Officer and President of ESSA Bancorp, Inc., a Pennsylvania corporation (the "Company") and Allan A. Muto, Executive Vice President and Chief Financial Officer of the Company, each certify in his capacity as an officer of the Company that he has reviewed the Annual Report on Form 10-K for the year ended September 30, 2021 (the "Report") and that to the best of his knowledge:

1. the Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 14, 2021

/s/ Gary S. Olson
Gary S. Olson
President and Chief Executive Officer

Date: December 14, 2021

/s/ Allan A. Muto
Allan A. Muto
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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