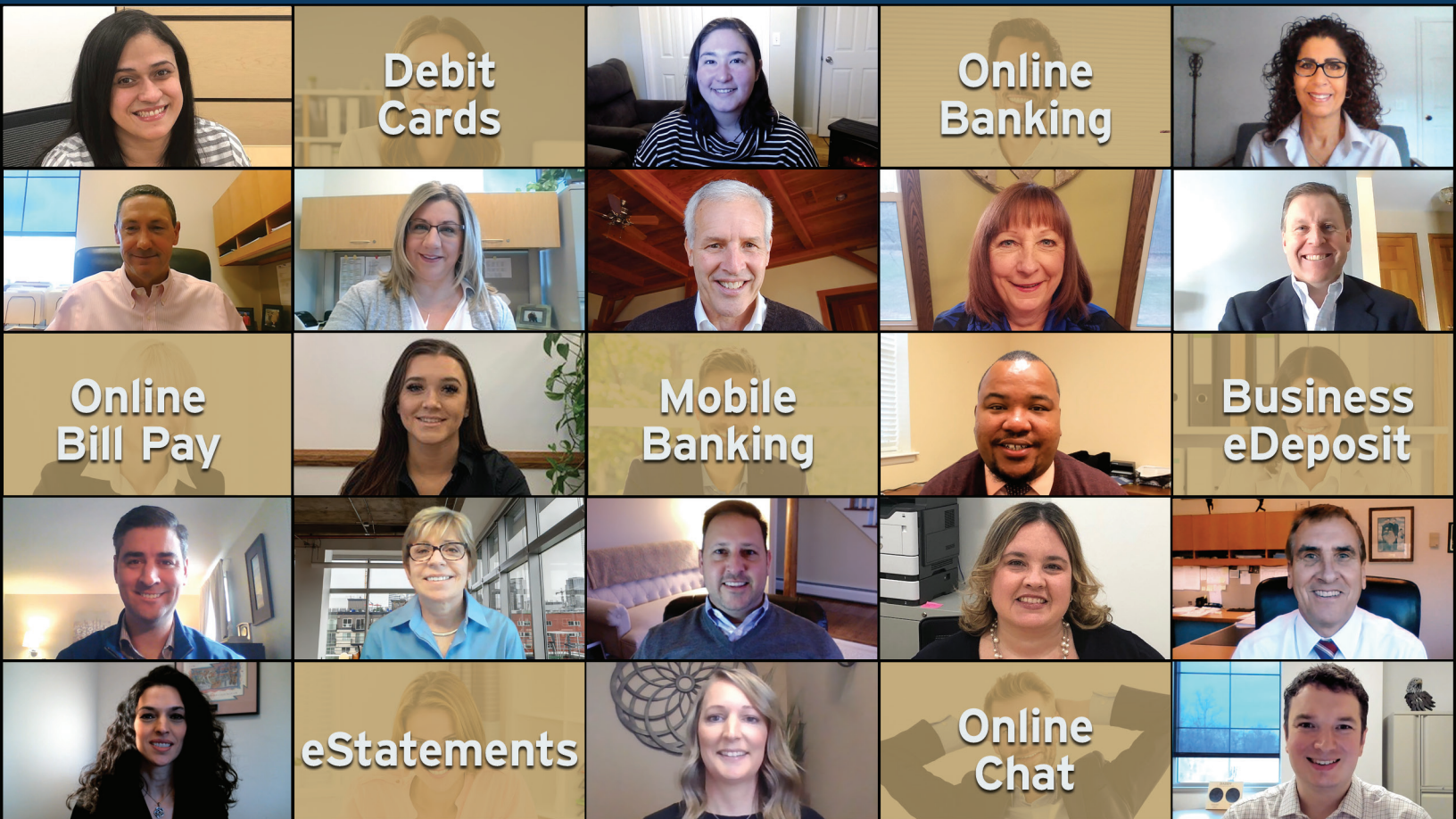


# 2020

## Annual Report



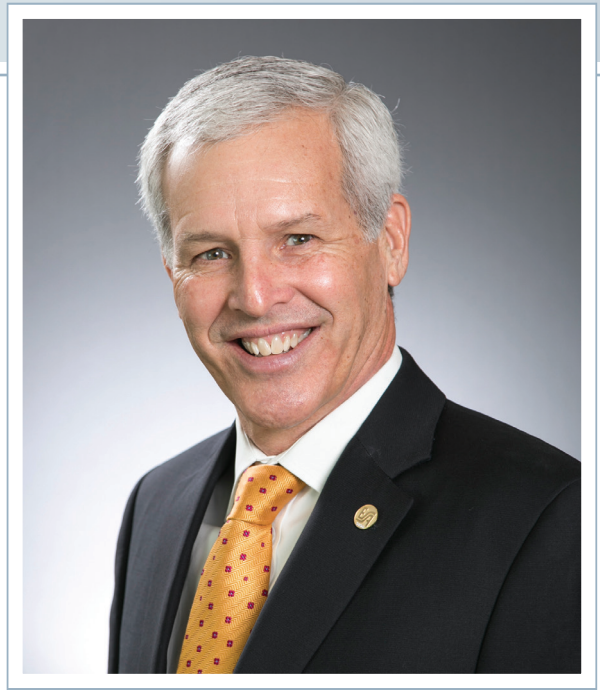
## Fellow Shareholders:

During the past year, the global pandemic has tested virtually every individual, family, and business. There are encouraging developments, although the social, economic, and political outlook is likely to remain uncertain throughout the coming year. ESSA Bancorp responded with focused enterprise risk management that enabled the Company to maintain safety, operate effectively, and serve customers.

We are also looking to the future as we reimagine a new world of banking that incorporates more digital capabilities and operations, new ways to collaborate and communicate with customers, and positions ESSA as a service and financial solutions provider and thought leader. For several years we have been implementing actions to move the Company in this direction. The pandemic accelerated these plans.

For ESSA Bancorp and its talented, dedicated team, fiscal 2020 called for flexibility, responsive action, and commitment to providing clients with relevant financial solutions. While doing an exemplary job of meeting the financial needs of clients and the community, ESSA also delivered strong financial performance, consistent with its vision to deliver consistent earnings growth, maintain capital strength and asset quality, and build shareholder value.

In fiscal 2020, the Company reported record annual net income of \$14.4 million and earnings per diluted share of \$1.39, supported by year-over-year growth of net interest income to \$48.2 million and record annual noninterest income of \$13.3 million. Total loans at September 30, 2020 increased from a year earlier, partially reflecting Paycheck Protection Program (PPP) loans, and also relative strength in our commercial, mortgage, and consumer loan portfolios.



*Gary S. Olson, President & CEO*

The Company's earnings performance also reflected ESSA's ability to manage costs and operate effectively, supported by the internal and customer-facing digital capabilities we have developed and continue to enhance. Return on average assets, return on average equity, and efficiency ratio all improved in fiscal 2020 compared with fiscal 2019.

ESSA Bancorp provided continuing value to shareholders in fiscal 2020, reflected by a year-over-year 10% increase in dividends, total stockholders' equity growth, and higher tangible book value per share.

As we responded to the challenges presented by the pandemic and maintained productive operations, we strengthened our commitment to positioning ESSA for the future. There is a need to reimagine banking: how we serve and communicate with customers, and how we conduct business in an increasingly digital environment.

We intend to be a leader in cashless banking and digital delivery of information, support, and services. We are

## ESSA Services



**24/7 Digital Banking**

The power to access and manage accounts from anywhere at any time, including sending money person-to-person with Zelle®.



**Contactless Mastercard®**

When speed and convenience are essential. Used by millions of merchants.

enhancing the ESSA brand to build recognition and support business development and empowering our team to deliver the services customers want. In fiscal 2020, ESSA effectively served clients with digitally delivered solutions.

When the pandemic began, our Company immediately placed our focus on the health and welfare of our employees and customers, and three financial areas: capital, liquidity, and asset quality.

## Employees & Customers

Early in the pandemic, we limited branch lobby access and implemented a successful remote work model in which 90% of our non-branch employee base is working remotely. This was driven by our focus on protecting customers and employees and our ability to serve customers seamlessly with technology and alternative delivery channels.

During the first 60 days of the pandemic we helped customers adapt to the new environment we all faced, including reducing or waiving fees for deposit customers and providing loan payment relief to businesses and individuals negatively impacted by the pandemic. We assisted small businesses in Eastern Pennsylvania, making 673 Paycheck Protection Program (PPP) loans totaling \$77.67 million.

When reflecting on the year and effort put forth by our employees, the words resiliency and dedication come to mind. Our employees put in long hours, often working many consecutive days and through weekends to ensure smooth operations and serve customers while working remotely. The ESSA team continues to elevate service standards while protecting the health and safety of employees and customers.

## Capital, Liquidity & Asset Quality

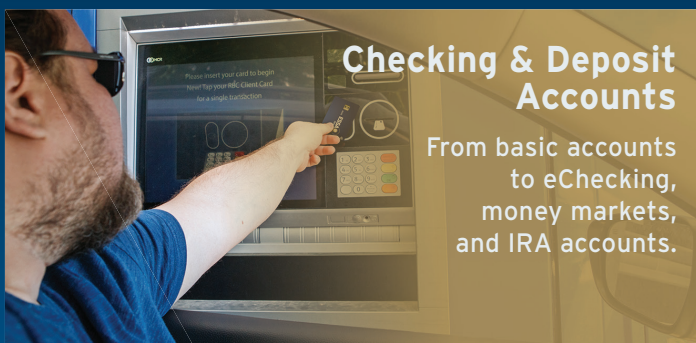
At the onset of the pandemic, when uncertainty was at its highest, we did not know the impact on customer demands for cash. We took measures to boost cash to mitigate potential liquidity risks, including taking advantage of the Federal Reserve lowering short-term interest rates. We were able to structure borrowings into future quarters at very attractive rates. A greater-than-anticipated inflow of deposits, together with attractive borrowing, has significantly increased our liquidity and lowered funding costs.

Maintaining strong asset quality through greater due diligence, disciplined underwriting, and more frequent contact with customers is critical. With the heightened awareness of potential credit risks within the loan portfolio as a result of the economic conditions caused by the pandemic, the Company increased the frequency in which it monitors its borrowers' financial performance.

We increased our provision for loan losses in the third and fourth quarters of 2020 and continue to focus on appropriate loss provisioning in fiscal 2021. We have expanded and hired experienced commercial banking and credit administration professionals and made measured changes to our credit underwriting standards, in large part in response to the economic impact of COVID-19.

## Balance Sheet Strength & Transition

Our balance sheet progression is consistent with our stated objectives and strategic plan. Brisk banking activity in the first two quarters of fiscal 2020 was evident with commercial real estate loans increasing to \$510 million at year-end from the year-earlier balance of \$481 and commercial and



### Checking & Deposit Accounts

From basic accounts to eChecking, money markets, and IRA accounts.



### Residential Mortgages

An array of versatile options for homebuyers at every stage.

Looking to the future, we focused on strategies and actions we believe are critical for continued success. We are reimagining a new world of banking that incorporates less reliance on physical facilities, remote working, and increasing use of technology.

industrial loans growing by \$15 million, exclusive of the PPP loans. Consistent with our commitment to be a commercially focused institution, outstanding mortgage loans increased only slightly.

Total loans receivable, net of allowance for loan losses, increased to \$1.42 billion at September 30, 2020, up from \$1.33 billion in 2019. The modest growth was the result of organic growth in commercial and residential mortgage loans and the PPP loan originations. As planned, we continued to amortize the indirect auto loan portfolio, which declined by \$42.2 million during fiscal 2020.

The Company closed \$172 million in commercial loans during the year. Commercial loans continued to comprise a greater percentage of ESSA's total loans. We had growth in both commercial and industrial and commercial real estate loans, and all three operating regions demonstrated commercial loan growth. We generated residential loan production of \$216 million in 2020, with activity in all our regions, while managing the size of our retained mortgage portfolio by selling long-term fixed-rate mortgages to the secondary market.

To support continued loan growth and activity, we added banking professionals in all three regions, including commercial relationship managers, client-facing support personnel, credit administration team members, and residential mortgage support personnel.

Core deposits (checking accounts, savings accounts, and money market accounts), a major component of our strategic plan, increased to 70% of total deposits, despite a challenging physical environment as a result of the pandemic. Noninterest-bearing demand accounts exhibited strong year-over-year growth, increasing 37.9% to \$242.6 million; interest-bearing demand accounts grew 22.3% to \$274.7 million; and money market accounts grew 10.2% to \$401.9 million.

In support of our core deposit strategy, we launched a new contactless debit card through Mastercard®, Zelle® for consumer person-to-person payment services, and increased limits in mobile and remote deposit to facilitate clients during the pandemic.

### Growing Revenue, Noninterest Income

Total interest income declined in fiscal 2020 from \$67.8 million to \$64.1 million. A decline in the yield on average interest-earning assets from 3.93% to 3.57% was partially offset by growth of \$72.2 million in average interest-earning assets. However, net interest income increased 3% from \$47 million to \$48.2 million. Income from loans was relatively stable, while income from investment securities was lower in part due to the deleverage strategy executed in August and declining interest rates. Total interest expense declined sharply in fiscal 2020 compared with the previous year.



Fiscal 2020 was a record year for noninterest income with \$13.3 million, which included a \$2.5 million gain on securities, compared with \$8.2 million a year earlier. The increase reflected a balance sheet strategy that included selling originated mortgage loans to the secondary market to generate fee income and use of interest rate swaps. We continued to see growth in total revenue from our asset management and trust business, ESSA investment services, and insurance premiums.

Noninterest expense, when excluding the \$2.5 million charge related to our deleverage strategy, was flat in 2020. Management continues to target improved operational efficiency, evidenced by our efficiency ratio, which improved to 65.8% in 2020 compared to 68.4% in 2019.

## Reimagining the New World of Banking

Looking to the future, we focused on strategies and actions we believe are critical for continued success. We are reimagining a new world of banking that incorporates less reliance on physical facilities, remote working, and increasing use of technology. There is a need for faster, relevant communication with constituents; sharing knowledge; remote learning; and building a service culture by empowering employees. Our strategy embraces three tenets: sustainability, relevance, and scale.

The pandemic has altered the way banks collaborate with employees and customers. Digital strategies are certain to drive much of the change.

Driven in part by the operating environment we faced in the second half of 2020, we made meaningful progress in advancing our digital strategy. We saw strong adoption among some of our core electronic services, with mobile banking increasing 22%, electronic statements 7%, and retail and business online banking 12% and 19%, respectively.

We launched our new contactless debit card, issuing over 13,000 new cards, and enhanced the Company's website to incorporate more options for interactive customer communications, including digital chat options and information sharing. ESSA can earn new business and deliver excellent service and relevant customer-focused financial solutions in an increasingly digital environment.

Despite the ongoing challenges posed by the pandemic, we have set high standards for financial performance in fiscal 2021. Our 2021 initiatives include three primary areas of focus: further advancement of our digital strategy, continued balance sheet transition, and the implementation of permanent best practices.

Our strategic plan is designed to navigate the Company through the headwinds of uncertainty while continuing to maintain high standards of financial performance. We will be focusing on improving our digital customer interfaces; growing market presence, particularly in the Lehigh Valley and Philadelphia regions; and continuing to transition our balance sheet as we continue to become a more commercially focused banking franchise. We aim to be effective in all environments.

We are steadfast in our commitment to building long-term shareholder value through sustainable growth, maintaining strong asset quality, enhancing productivity, leveraging technology, and empowering our employees and customers.

Sincerely,



Gary S. Olson, President & CEO



### Asset Management, Trust & Investment Services\*

Planning a financial  
future with trust  
and confidence.



### Insurance/ Employee Benefits

Tailor-made products  
designed to protect  
what matters most.

\*Investments are: Not Federally Insured | No Financial Institution Guarantee | May Lose Value. Ameriprise Financial is not affiliated with the financial institution where investment services are offered. Investment advisory products and services are made available through Ameriprise Financial Services, LLC, a registered investment adviser. Securities and insurance products offered through Ameriprise Financial Services, LLC, member FINRA and SIPC. ESSA Advisory Services, LLC is a subsidiary of ESSA Bank & Trust. Products and services offered by ESSA Advisory Services, LLC and ESSA Asset Management & Trust are: Not FDIC insured • May lose value • Not guaranteed by ESSA Bank & Trust • Not a deposit • Not insured by any federal government agency.

# Consolidated Financial Highlights

The following information is derived from the audited Consolidated Financial Statements of ESSA Bancorp, Inc.

For additional information, reference is made to "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements of ESSA Bancorp, Inc.

and related notes included in Form 10-K as filed with the Securities and Exchange Commission.

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

	2020	2019	2018	2017	2016
<b>Total assets</b>	<b>\$1,893,515</b>	\$1,799,427	\$1,833,790	\$1,785,218	\$1,772,479
<b>Investment securities: Available for sale</b>	<b>212,484</b>	313,393	371,438	390,452	390,410
<b>Loans, net</b>	<b>1,418,182</b>	1,328,653	1,305,071	1,236,681	1,219,213
<b>Deposits</b>	<b>1,543,696</b>	1,342,830	1,336,855	1,274,861	1,214,820
<b>Borrowed funds</b>	<b>125,877</b>	248,282	298,496	311,614	360,061
<b>Equity</b>	<b>191,397</b>	189,508	179,186	182,727	176,344

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

	2020	2019	2018	2017	2016
<b>Net interest income</b>	<b>\$48,207</b>	\$47,010	\$48,235	\$45,519	\$46,935
<b>Provision for loan losses</b>	<b>3,275</b>	2,076	4,000	3,350	2,550
<b>Net interest income after provision for loan losses</b>	<b>44,932</b>	44,934	44,235	42,169	44,385
<b>Noninterest income</b>	<b>13,255</b>	8,157	7,813	8,199	8,783
<b>Noninterest expense</b>	<b>40,588</b>	38,053	39,853	41,438	42,858
<b>Income before income tax expense</b>	<b>17,599</b>	15,038	12,195	8,930	10,310
<b>Income tax expense</b>	<b>3,183</b>	2,415	5,664	1,591	2,583
<b>Net income</b>	<b>\$14,416</b>	\$12,623	\$6,531	\$7,339	\$7,727
<b>Earnings per share: Basic</b>	<b>\$1.39</b>	\$1.18	\$0.60	\$0.69	\$0.74
<b>Diluted</b>	<b>\$1.39</b>	\$1.18	\$0.60	\$0.69	\$0.73

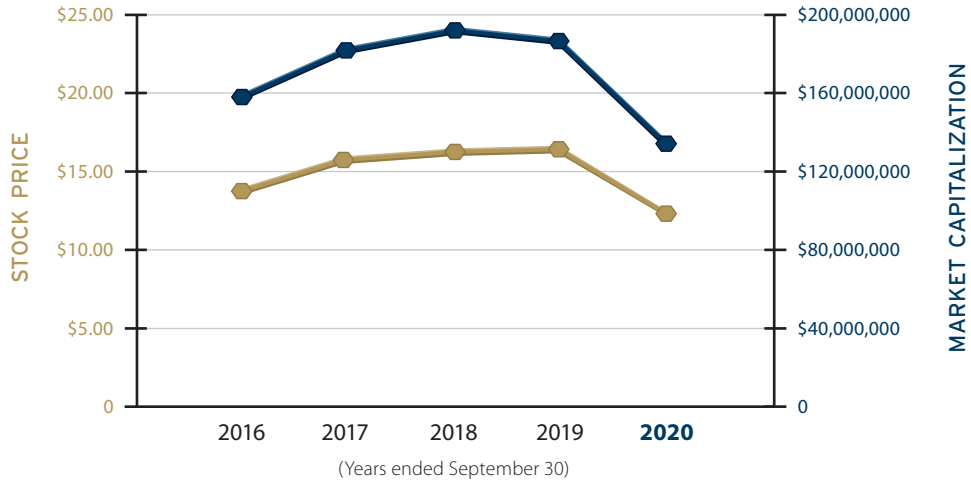
## Selected Other Data (Years ended September 30)

	2020	2019	2018	2017	2016
<b>Return on average assets</b>	<b>0.76%</b>	0.69%	0.36%	0.42%	0.45%
<b>Return on average equity</b>	<b>7.43%</b>	6.80%	3.61%	4.11%	4.40%
<b>Interest rate spread<sup>(1)</sup></b>	<b>2.49%</b>	2.50%	2.71%	2.69%	2.81%
<b>Net interest margin<sup>(2)</sup></b>	<b>2.68%</b>	2.73%	2.85%	2.77%	2.89%
<b>Non-performing assets as a percentage of total assets</b>	<b>1.09%</b>	0.57%	0.64%	0.88%	1.24%
<b>Tier 1 core capital (to adjusted tangible assets)</b>	<b>9.08%</b>	9.67%	9.28%	9.19%	8.76%

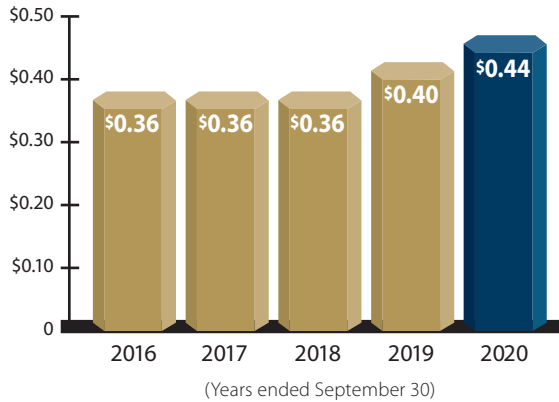
(1) The interest rate spread represents the difference between the weighted-average yield on a fully tax-equivalent basis on interest-earning assets and the weighted-average cost of interest-bearing liabilities for the year.

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

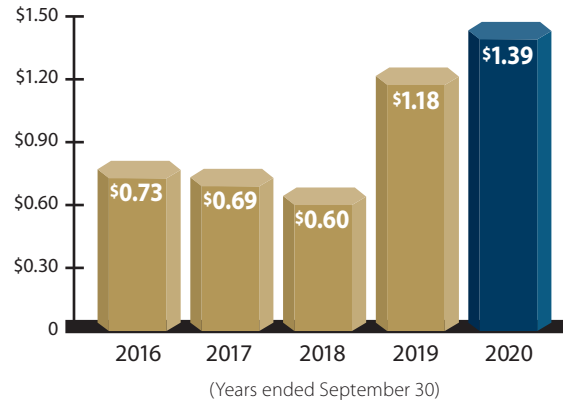
### Stock Price & Market Capitalization



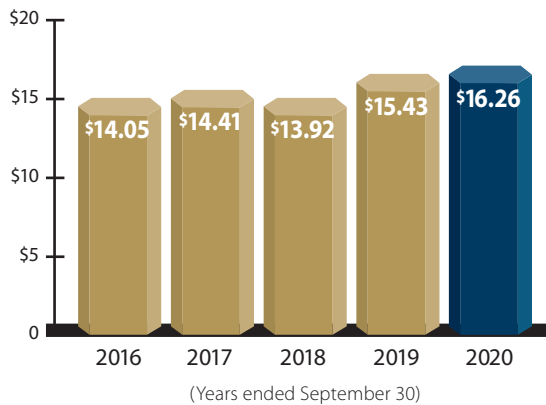
### Dividends per Share



### Earnings per Share (Diluted)

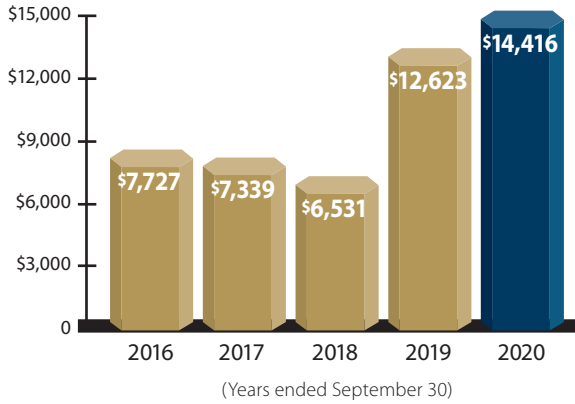


### Tangible Book Value (Per Share)

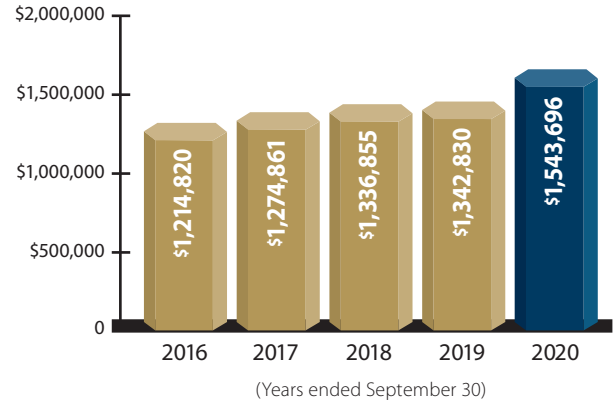


## Consolidated Financial Highlights (cont'd)

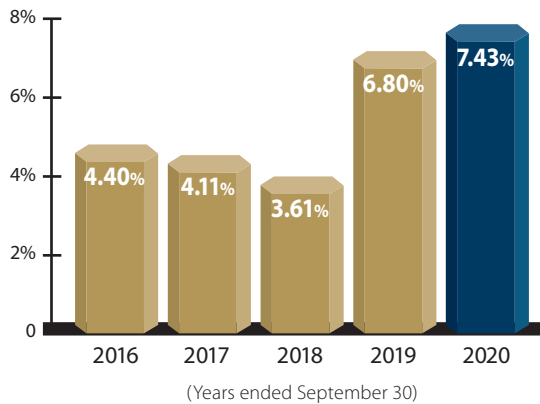
**Net Income** (in Thousands)



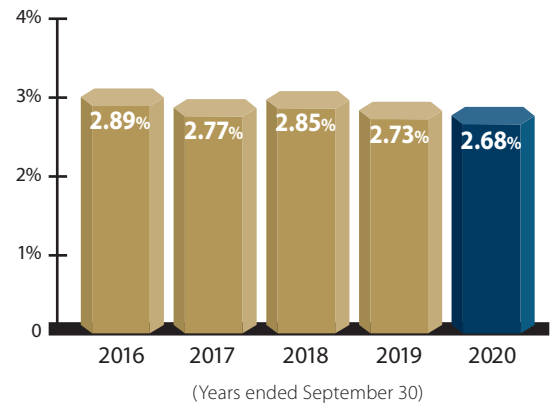
**Deposits** (in Thousands)



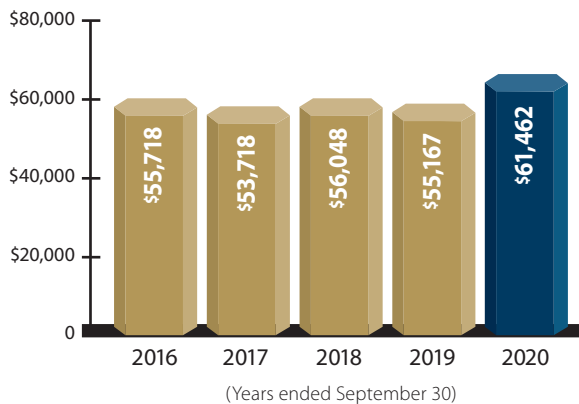
**Return on Average Equity**



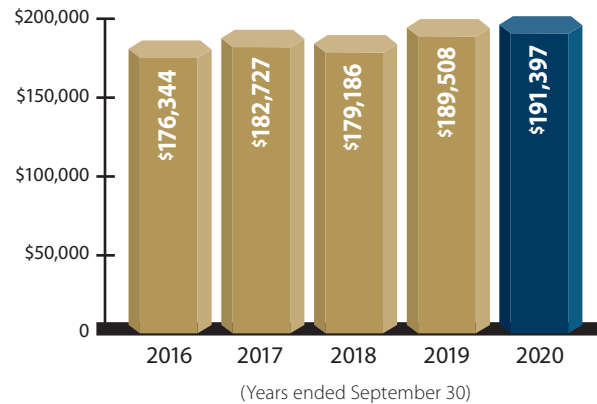
**Net Interest Margin**



**Revenue\*** (in Thousands)



**Stockholders' Equity** (in Thousands)



\*Net interest income plus noninterest income.



# Executive Personnel

## BOARD OF DIRECTORS & GENERAL COUNSEL

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

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

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

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

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

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

**Brian T. Regan, CPA**  
Shareholder - Regan, Levin, Bloss, Brown  
& Savchak, P.C.

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

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

**Elizabeth Bensinger  
Weekes, Esq.**  
Partner - Bensinger & Weekes, PA

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

**John E. Burrus**  
Director Emeritus

**William P. Douglass**  
Director Emeritus

**Frederick E. Kutteroff**  
Director Emeritus

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

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

\*Elected to the Board of Directors  
December 18, 2020

## OFFICERS

**Gary S. Olson**  
President & CEO

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

**Peter A. Gray**  
Executive Vice President & CBO

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

**Diane K. Reimer**  
Senior Vice President,  
Administrative/Operations Division

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

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

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

## CORPORATE HEADQUARTERS

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

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

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

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

# Mission Statement

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



## OUR GUIDING PRINCIPLES

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

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

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

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

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

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

## ESSA CODE OF ETHICS & CONFLICT OF INTEREST POLICY

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

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

## ADDITIONAL SERVICES

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

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

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

# Corporate Information

## STOCK LISTING

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

## INTERNET INFORMATION

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

## FINANCIAL INFORMATION

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

## CORPORATE GOVERNANCE

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

## INQUIRIES

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

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

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

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

## ANNUAL SHAREHOLDERS' MEETING

All eligible shareholders are invited to attend the ESSA Bancorp, Inc. annual meeting on Thursday, March 4, 2021, at 10 a.m. The meeting will be held virtually at [www.meetingcenter.io/277474950](http://www.meetingcenter.io/277474950).

## REGISTRAR & TRANSFER AGENT

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

## SPECIAL COUNSEL

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

## FORWARD-LOOKING STATEMENTS

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

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

Serving customers in **Eastern**  
**Pennsylvania** regions  
through **digital banking**  
services and a  
**strategic** branch footprint.



Corporate Center  
200 Palmer Street  
P.O. Box L  
Stroudsburg, PA 18360-0160

Office: 570-421-0531  
Toll-Free: 855-713-8001

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