

On Course

2023 Annual Report





Gary S. Olson
President & CEO

At the forefront of our strategy is enhancing ESSA Bank & Trust's value to all stakeholders. We will continue to emphasize capital adequacy, strong liquidity, and high asset quality while exceeding customer expectations for service.

Fellow Shareholders:

ESSA delivered another year of strong financial performance and shareholder value in fiscal 2023. We stayed on course against a backdrop of higher interest rates, regional bank failures, worries of a serious recession, and inflationary pressures.

The Company's positive results reflected disciplined risk management, expense control, and balance sheet vigilance. We emphasized high levels of liquidity, capital strength, and asset quality while maximizing loan and deposit growth. Our success can be attributed to the collective and individual efforts of our 250 employees, who proactively met challenges and executed on ESSA's strategic plan.

The Company reported net income of \$18.6 million, or \$1.91 per diluted share, in fiscal 2023 compared with \$20.1 million, or \$2.06 per diluted share, a year earlier. We believe this earnings stability was a significant accomplishment in the face of rapidly changing interest rates.



Net interest margin of 3.24% remained relatively stable year-over-year, reflecting responsive adjustments made to loan interest rates to balance against sharply increased interest expense. Strong asset quality enhanced earnings quality. The ratio of nonperforming assets to total assets was exceptionally low at 0.63%, and provisioning for loan losses was minimal.

Disciplined, focused operations drove value for shareholders. Tangible book value per share on September 30, 2023, increased to \$19.82 from \$19.12 on September 30, 2022—a highlight during a period when many companies' tangible book value declined. Total stockholders' equity increased \$7.4 million from the prior year, primarily reflecting net income growth. Cash dividends of \$0.60 per share paid to shareholders in fiscal 2023 generated more than a 3% return to shareholders.

While financial institution stock prices reflected market concerns about the banking sector throughout much of 2023, confidence has returned and valuations for high-performing institutions, including ESSA, have shown meaningful improvement. Our management team and Board of Directors appreciate the confidence shareholders demonstrated in ESSA Bancorp's ability to navigate what was—and will continue to be—a banking environment that demands financial strength, stability, and resourcefulness.

Stability, Asset Quality, Risk Management

Financial industry turmoil and a challenging economic environment underscored the importance of strong capital levels, adequate liquidity, stable asset quality, and proactive risk management. ESSA's longstanding record of capital strength continued, with a Tier 1 capital ratio of 9.4% at September 30, 2023, exceeding regulatory standards for a well-capitalized bank.

Turbulence in the banking industry in 2023 caused extraordinary concern among investors, customers, and regulators about banks' liquidity and deposit stability. Maintaining sufficient liquidity is a high priority at ESSA. However, providing additional reassurance to the market, regulators, and customers, the Bank increased its on-balance sheet liquidity, consisting of cash, cash equivalents, and available-for-sale securities, in response to industrywide concerns of deposit volatility.



The Bank maintains highly liquid sources of available unused borrowing capacity with the Federal Home Loan Bank of Pittsburgh and the Federal Reserve Bank of Philadelphia. Those sources totaled approximately 24% of total assets on September 30, 2023.

Diligent risk management characterizes all aspects of our business. The Company's derivative balance sheet hedging strategy has mitigated the impact of rising interest rates in the Company's investment securities portfolio.

Loan credit reviews, ongoing credit management, and regular risk modeling support loan quality. The Bank continues to enhance its risk management processes with skilled banking professionals and technology. Nonperforming assets comprised only 0.63% of total assets at September 30, 2023. We saw very little migration of classified loans in 2023.

Focus on Deposits

2023 was a challenging and volatile year for consumer and business deposit activity. Rising rates and inflationary impact, coupled with industry concerns, put pressure on the entire banking sector to maintain and preserve deposits. A strong deposit base is particularly important to community banks like ESSA. We have managed deposit risk by maintaining depositor diversity and managing exposure to single large depositors and uninsured deposits.





Total deposits were \$1.66 billion on September 30, 2023, with lower-cost core deposits comprising 70% of total deposits, compared to \$1.38 billion on September 30, 2022, with core deposits comprising 90% of total deposits. The shift reflected customers migrating funds to higher yielding certificates of deposit and drawing down on demand deposits that had built up during and shortly after the pandemic. The Bank's risk management practices are ensuring depositor diversity and limiting uninsured deposit levels.

Our retail and commercial banking teams were, and continue to be, focused on growing and retaining deposits in all our markets. We've adapted our tactics, initiatives, and pricing to attract deposits while managing interest expense.

Solid Commercial & Retail Lending

Loan growth throughout the year was particularly satisfying considering the higher rate environment that slowed demand for the entire industry. Total loans increased \$240 million or 17% as of September 30, 2023. This was highlighted by a 21% increase in commercial loans. Commercial loan growth was centered in commercial real estate, with modest growth in commercial and industrial lending. By emphasizing the value of full-service commercial banking relationships that include deposits and treasury services, we strengthen lending opportunities and enhance customer retention.

Residential mortgage loans increased 14% in fiscal 2023. Although we anticipate that the current interest rate environment will continue to impact demand, we anticipate that our reputation for excellence in service, financing solutions, and processing will continue to generate attractive home lending opportunities and build market share.

Investing in the Banking Experience

While mindful of managing expenses, the Company in fiscal 2023 made investments in the right people and the right technology to continue delivering the best possible community banking experience.

New fraud prevention and security technology for commercial clients using cash management services provided additional security. We implemented new digital banking capabilities to enhance digital convenience for commercial and retail customers. Positive results included increased customer digital adoption, with consumer P2P payments rising 52%, mobile banking users up 4.5%, and mobile deposits and transfers up 8.4%.

The Company invested in people, adding three commercial banking professionals and enhancing compliance capabilities with two experienced professionals. To support continued leadership in mortgage lending, we hired two new residential mortgage bankers to bolster mortgage production and outreach, with a focus on underserved communities. We also established the position of community development officer to coordinate and expand outreach.



Supporting Our Communities

ESSA has a long history of being a good corporate citizen. The Bank participates in several private/public partnerships –programs that provide loans and financial education to participants who are re-entering society, that fund mental health services in low-income communities, and that help those in pursuit of home ownership in underserved communities.

Our employees volunteered their time and expertise in many areas of community service. The Bank continued its practice of corporate contributions to community organizations, while the ESSA Bank & Trust Foundation awarded grants totaling \$3.7 million to community organizations throughout our markets.

Positioned for 2024

Now more than ever, we are focused on our strategic tenets, proactively managing our business, and rapidly responding to economic and market changes and challenges.

At the forefront of our strategy is enhancing ESSA Bank & Trust's value to all stakeholders. We will continue to emphasize capital adequacy, strong liquidity, and high asset quality while exceeding customer expectations for service. Strong, enterprise-wide risk management will be required to maintain the safe, sound banking operations we have established.

We will continue to invest judiciously in people and technology to provide customers with the best community banking experience in the market. I am confident that our board of directors, senior management, and ESSA's employees are well-positioned to deliver that value.



Sincerely,

Gary S. Olson, President & CEO



Consolidated Financial Highlights

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

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

	2023	2022	2021	2020	2019
Total assets	\$2,293,246	\$1,861,817	\$1,861,436	\$1,893,515	\$1,799,427
Investment securities: Available for sale	\$334,056	\$208,647	\$240,581	\$212,484	\$313,393
Loans, net	\$1,680,525	\$1,435,783	\$1,340,853	\$1,417,974	\$1,418,182
Deposits	\$1,661,016	\$1,380,021	\$1,636,115	\$1,543,696	\$1,342,830
Borrowed funds	\$374,652	\$230,810	-	\$125,877	\$248,282
Equity	\$219,708	\$212,337	\$201,822	\$191,397	\$189,508

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

	2023	2022	2021	2020	2019
Net interest income	\$61,554	\$59,771	\$52,894	\$48,207	\$47,010
Provision for loan losses	\$700	\$0	\$2,700	\$3,275	\$2,076
Net interest income after provision for loan losses	\$60,854	\$59,771	\$50,194	\$44,932	\$44,934
Noninterest income	\$7,906	\$8,510	\$11,493	\$13,255	\$8,157
Noninterest expense	\$45,690	\$43,277	\$41,790	\$40,588	\$38,053
Income before income tax expense	\$23,070	\$25,004	\$19,897	\$17,599	\$15,038
Income tax expense	\$4,494	\$4,934	\$3,473	\$3,183	\$2,415
Net income	\$18,576	\$20,070	\$16,424	\$14,416	\$12,623
Earnings per share: Basic	\$1.91	\$2.06	\$1.65	\$1.39	\$1.18
Diluted	\$1.91	\$2.06	\$1.65	\$1.39	\$1.18

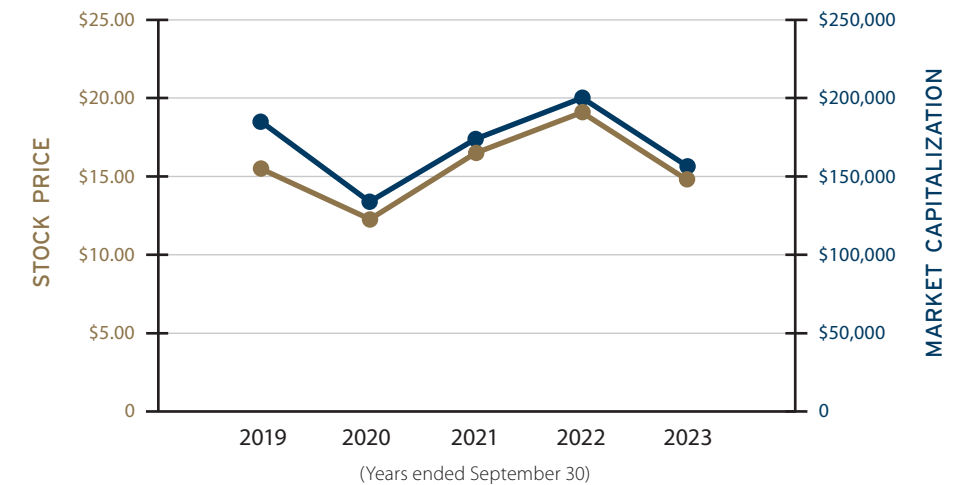
Selected Other Data (Years ended September 30)

	2023	2022	2021	2020	2019
Return on average assets	0.92%	1.08%	0.87%	0.76%	0.69%
Return on average equity	8.46%	9.47%	8.28%	7.43%	6.80%
Interest rate spread ⁽¹⁾	2.90%	3.33%	2.86%	2.49%	2.50%
Net interest margin ⁽²⁾	3.24%	3.38%	2.96%	2.68%	2.73%
Nonperforming assets as a percentage of total assets	0.63%	0.81%	0.88%	1.09%	0.57%
Tier 1 core capital (to adjusted tangible assets)	9.40%	10.47%	10.05%	9.08%	9.67%

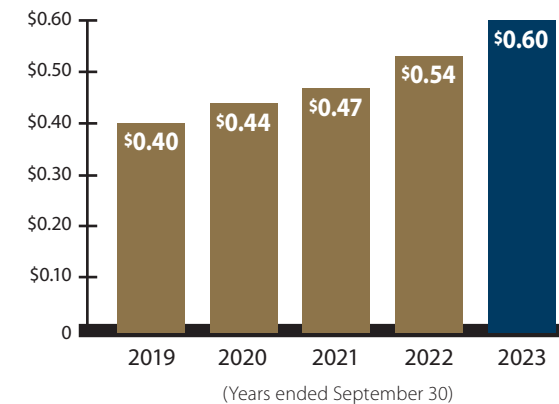
(1) The interest rate spread represents the difference between the weighted-average yield on a fully tax-equivalent basis on interest-earning assets and the weighted-average cost of interest-bearing liabilities for the year.

(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.

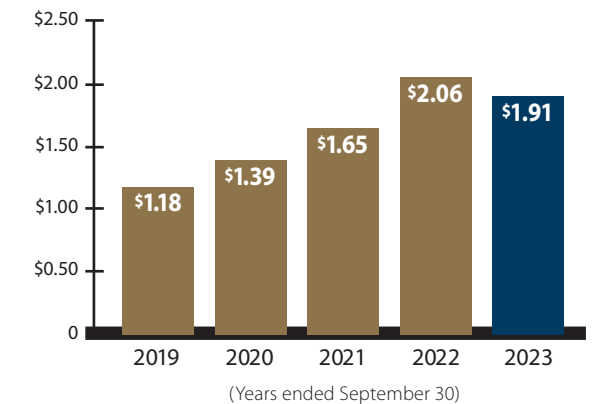
Stock Price & Market Capitalization



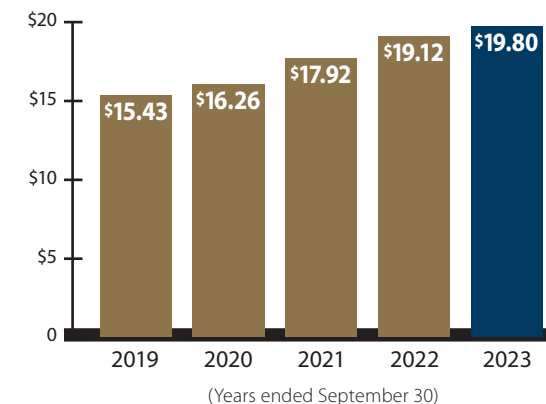
Dividends per Share



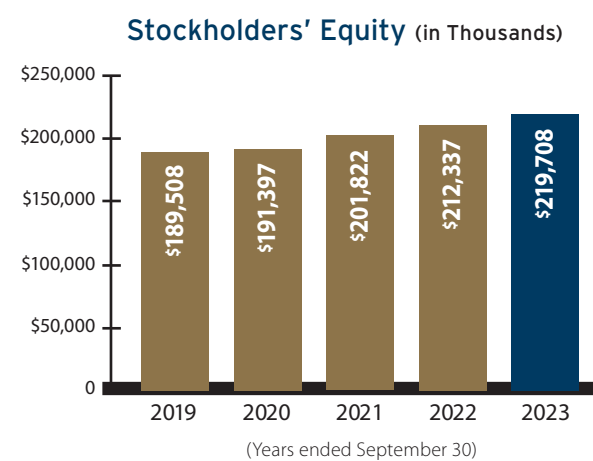
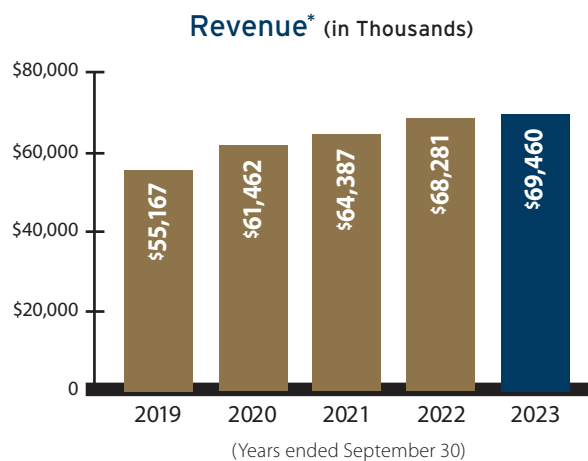
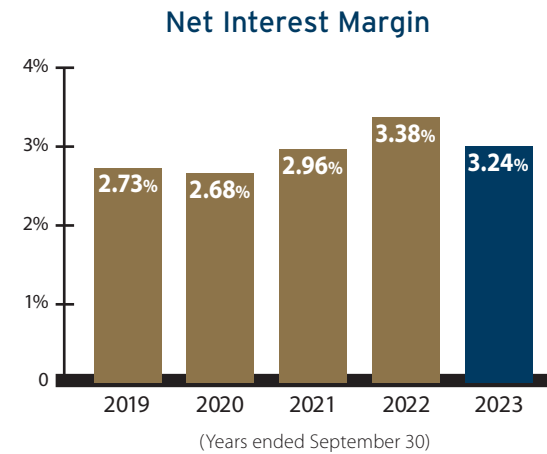
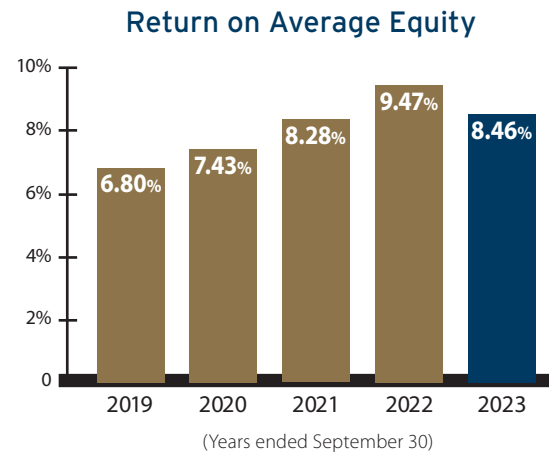
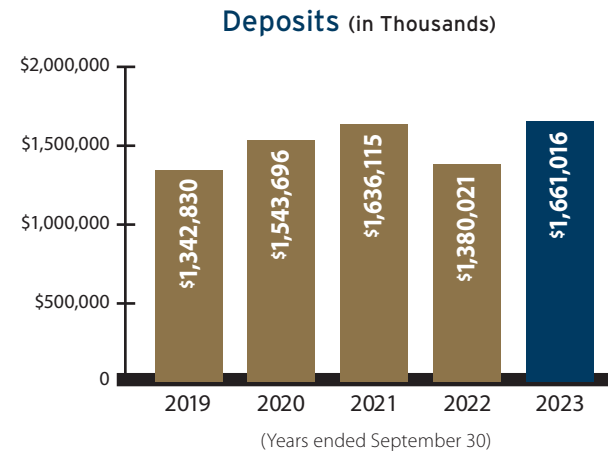
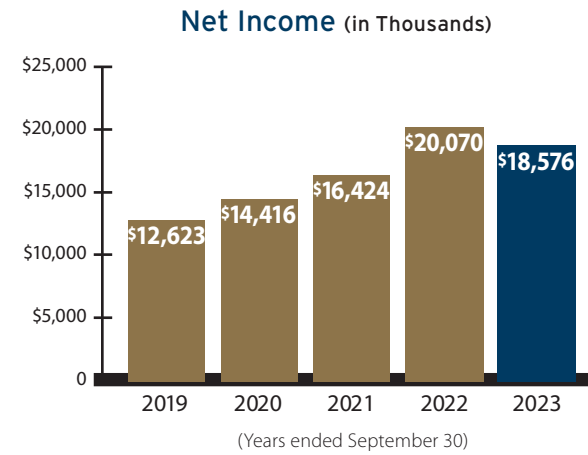
Earnings per Share (Diluted)



Tangible Book Value (Per Share)



Consolidated Financial Highlights (cont'd)



*Net 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	Gary S. Olson President & CEO - ESSA Bank & Trust	John E. Burrus Director Emeritus
Christine D. Gordon, Esq. Chief Compliance Officer - Olympus Corporation of the Americas	Dr. Tina Q. Richardson Chancellor, Penn State University Lehigh Valley	William P. Douglass Director Emeritus
Daniel J. Henning President - A.C. Henning Enterprises, Inc.	Carolyn P. Stennett, Esq. Vice President, Human Resources - Victaulic Company	Frederick E. Kutteroff Director Emeritus
Philip H. Hosbach IV Vice President, Global Public Affairs for Vaccines - Sanofi Pasteur (retired)	Elizabeth Bensinger Weekes, Esq. Partner - Bensinger & Weekes, PA	John S. Schoonover, Jr. Director Emeritus
	James V. Fareri, Esq. General Counsel	William A. Viechnicki, D.D.S. Director Emeritus

OFFICERS

Gary S. Olson President & CEO	Peter A. Gray Senior Executive Vice President & COO	Charles D. Hangen Executive Vice President & CRO
Allan A. Muto Executive Vice President & CFO	Robert L. Selitto Senior Vice President & Controller	Thomas J. Grayuski Senior Vice President, CHRO
	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.

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 MarketSM 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.

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 or through the ESSA website at 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.

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. 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.

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

and CFO, at **570-422-0181** or via email at amuto@essabank.com.

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

ANNUAL SHAREHOLDERS' MEETING

All eligible shareholders are invited to attend the ESSA Bancorp, Inc. annual meeting on Thursday, March 7, 2024, at 10 a.m. The meeting will be held virtually at meetnow.global/M9ZK6M5.

REGISTRAR & TRANSFER AGENT

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800-368-5948
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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.



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