

ESSA Bancorp, Inc.
Form 10-K
December 14, 2012
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

100 F Street NE

Washington, D.C. 20549

FORM 10-K

x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended September 30, 2012**

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)

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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	Name of each exchange on which registered
Common Stock, \$0.01 par value	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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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 12, 2012, there were 18,133,095 shares issued and 13,229,908 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, 2012, was \$99,644,322.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for the 2012 Annual Meeting of Stockholders of the Registrant (Part III).

Table of Contents

TABLE OF CONTENTS

<u>PART I</u>		
Item 1.	<u>Business</u>	1
Item 1A.	<u>Risk Factors</u>	30
Item 1B.	<u>Unresolved Staff Comments</u>	35
Item 2.	<u>Properties</u>	36
Item 3.	<u>Legal Proceedings</u>	38
Item 4.	<u>Mine Safety Disclosures</u>	38
<u>PART II</u>		
Item 5.	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	39
Item 6.	<u>Selected Financial Data</u>	41
Item 7.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	42
Item 7A.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	54
Item 8.	<u>Financial Statements and Supplementary Data</u>	54
Item 9.	<u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	54
Item 9A.	<u>Controls and Procedures</u>	54
Item 9B.	<u>Other Information</u>	55
<u>PART III</u>		
Item 10.	<u>Directors, Executive Officers and Corporate Governance</u>	56
Item 11.	<u>Executive Compensation</u>	56
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	56
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	56
Item 14.	<u>Principal Accounting Fees and Services</u>	56
<u>PART IV</u>		
Item 15.	<u>Exhibits, Financial Statement Schedules</u>	57

Table of Contents

Forward Looking Statements

This Annual Report 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, general and local economic conditions, changes in interest rates, 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 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. is the Pennsylvania-chartered stock holding company of ESSA Bank & Trust. ESSA Bancorp, Inc. owns 100% of the outstanding shares of common stock of ESSA Bank & Trust. Since being formed in 2006, ESSA Bancorp, Inc. has engaged primarily in the business of holding the common stock of ESSA Bank & Trust. Our executive offices are located at 200 Palmer Street, Stroudsburg, Pennsylvania 18360. Our telephone number at this address is (570) 421-0531. ESSA Bancorp, Inc. is subject to comprehensive regulation and examination by the Federal Reserve Board of Governors. On July 31, 2012, ESSA Bancorp, Inc. completed its acquisition of First Star Bancorp, Inc. and its wholly-owned subsidiary, First Star Bank. The total value of the consideration for the acquisition was \$24.6 million, 50% of which was paid in cash and the remainder paid in the form of ESSA Bancorp, Inc. common stock. The information presented herein includes the combined operations of both companies as of July 31, 2012. At September 30, 2012, ESSA Bancorp, Inc. had consolidated assets of \$1.4 billion, consolidated deposits of \$995.6 million and consolidated stockholders' equity of \$175.4 million. Its consolidated net income for the fiscal year ended September 30, 2012 was \$215,000.

ESSA Bank & Trust

General

ESSA Bank & Trust was organized in 1916. ESSA Bank & Trust is a Pennsylvania chartered full-service, community-oriented savings association. We provide financial services to individuals, families and businesses through our 26 full-service banking offices, located in Monroe, Northampton and Lehigh Counties, Pennsylvania. ESSA Bank & Trust is subject to comprehensive regulation and examination by the Pennsylvania Department of Banking and the Federal Deposit Insurance Corporation.

ESSA Bank & Trust'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, commercial and consumer 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 PRIMEVEST Financial Services, Inc., a third party broker/dealer and investment advisor. We offer insurance benefit consulting services through our wholly owned subsidiary, ESSA Advisory Services, LLC.

ESSA Bank & Trust'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.

Table of Contents

The Company is a public company, and files interim, quarterly and annual reports with the Securities and Exchange Commission (SEC). All filed SEC reports and interim filings can be obtained from the Bank s website, on the Investor Relations page, without charge from the Company.

Market Area

At September 30, 2012, our 26 full-service banking offices consisted of 13 offices in Monroe County, six offices in Lehigh County, and seven offices in Northampton 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, construction and educational facilities. Northampton County is located south of Monroe County and directly borders New Jersey. Lehigh County is located southwest of Monroe County. As of September 30, 2012, we had a deposit market share of approximately 29.1% in Monroe County, which represented the largest deposit market share in Monroe County, 3.69% in Northampton County and 2.43% in Lehigh County.

Lending Activities

Historically, our principal lending activity has been the origination of first mortgage loans for the purchase, construction or refinancing of one-to four-family residential real property. In recent years, we have increased 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 9.7% of our total loan portfolio at September 30, 2008 to \$160.2 million, or 16.7% of our total loan portfolio at September 30, 2012. One-to four-family residential real estate mortgage loans represented \$696.7 million, or 72.8%, of our loan portfolio at September 30, 2012. Home equity loans and lines of credit totaled \$47.9 million, or 5.0% of our loan portfolio at September 30, 2012. Commercial loans totaled \$12.8 million, or 1.3% of our loan portfolio at September 30, 2012 and construction first mortgage loans totaled \$3.8 million or 0.4% of the total loan portfolio at September 30, 2012. Obligations of states and political subdivisions totaled \$33.7 million or 3.5% of our loan portfolio at September 30, 2012. We originate other consumer loans on a limited basis.

Table of Contents

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.

	2012		2011		At September 30, 2010		2009		2008	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in thousands)										
Residential first mortgage loans:										
One- to four-family	\$ 696,696	72.8%	\$ 583,599	78.1%	\$ 596,455	80.8%	\$ 604,010	81.7%	\$ 571,609	80.3%
Construction	3,805	0.4	691	0.1	1,302	0.2	1,707	0.2	8,254	1.2
Commercial	12,818	1.3	14,766	2.0	16,545	2.2	16,452	2.2	11,987	1.7
Commercial real estate	160,192	16.7	79,362	10.6	77,943	10.6	67,888	9.2	69,368	9.7
Obligations of states and political subdivisions	33,736	3.5	25,869	3.5						
Home equity loans and lines of credit	47,925	5.0	40,484	5.4	43,559	5.9	46,812	6.3	47,528	6.7
Other	2,485	0.3	2,018	0.3	2,486	0.3	2,526	0.4	3,059	0.4
Total loans receivable	\$ 957,657	100.0%	\$ 746,789	100.0%	\$ 738,290	100.0%	\$ 739,395	100.0%	\$ 711,805	100.0%
Allowance for loan losses	(7,302)		(8,170)		(7,448)		(5,815)		(4,915)	
Total loans receivable, net	\$ 950,355		\$ 738,619		\$ 730,842		\$ 733,580		\$ 706,890	

Table of Contents

Loan Portfolio Maturities and Yields. The following table summarizes the scheduled repayments of our loan portfolio at September 30, 2012. 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	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
(Dollars in thousands)								
Due During the Years Ending September 30,								
2013	\$ 1,475	5.91%	\$	\$	\$ 1,541	5.80%	\$ 23,716	5.07%
2014	1,686	5.29%			624	6.02%	12,636	5.45%
2015	1,198	5.21%			433	6.07%	18,632	5.40%
2016 to 2017	8,872	5.49%			3,803	5.16%	28,291	6.36%
2018 to 2022	111,394	4.16%			4,049	5.79%	33,046	5.60%
2023 to 2027	241,657	3.93%			708	5.40%	17,099	5.47%
2027 and beyond	330,414	5.21%	3,805	3.76%	1,660	3.94%	26,772	5.23%
Total	\$ 696,696	4.60%	\$ 3,805	3.76%	\$ 12,818	5.36%	\$ 160,192	5.54%

	Obligations of States and Political Subdivisions	Home Equity Loans and Lines of Credit	Other	Total
	Weighted Average Rate	Weighted Average Rate	Weighted Average Rate	
Amount	Amount	Amount	Amount	