



# CEOCFO

## Interviews & News!

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### ESSA Bancorp Is Finding Success With A Friendly Approach To Customer Service And Branches That Offer The Convenience Of Seven-Day Banking In Convenient Supermarket Locations



**Financial  
Savings & Loan  
(NASDAQ: "ESSA")**

**ESSA Bancorp, Inc.**

**200 Palmer Street  
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**Gary S. Olson  
President & CEO**

#### **BIO:**

Gary Olson started his career in finance in 1977, shortly after graduation from East Stroudsburg University, when he joined ESSA Bank & Trust as a staff appraiser. Over the next decade, he rose through the ranks, from management trainee, to branch manager, to vice presi-

dent of administration and operations, to executive vice president and chief operating officer. He was named president and chief executive officer in 2000.

Besides his dedication to his profession, Gary has had a lifelong interest in community service in general and health care in particular. He joined the board of directors of the Pocono Medical Center (PMC) in 2001, bringing his financial expertise to the table. In the past seven years, he has offered input into the dynamic growth of PMC, one of the region's top health care systems. He is currently Vice Chairman of the Pocono Health Systems board and chair of the Investment Committee.

He has also served in various capacities on the board of directors for the American Cancer Society. He has served on the board of the Pennsylvania Division since 2003 and is currently Vice Chairman. He has also served on the ACS, Monroe Unit Board since 1982 and as the Stroudsburg ACS Relay for Life Chairman from 1994 to 2002. He was a founding member of the Stroudsburg United Soccer Club and was recently inducted into the Stroudsburg High School Athletic Hall of Fame.

#### **Company Profile:**

ESSA Bank & Trust, a wholly-owned subsidiary of ESSA Bancorp, Inc., has total assets of over \$925 million and is the leading service-oriented financial institution headquartered in the greater Pocono, Pennsylvania region. The Bank maintains its corporate headquarters in downtown Stroudsburg, Pennsylvania and has 13 community offices throughout the Pocono, Pennsylvania area. In addition to being one of the region's largest mort-

gage lenders, ESSA Bank & Trust offers a full range of retail and commercial financial services. ESSA Bancorp, Inc. stock trades on The NASDAQ Global Market<sup>SM</sup> under the symbol "ESSA."

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com**

**CEOCFO:** Mr. Olson, these are exciting times for ESSA; what is the vision for the company?

**Mr. Olson:** "The issue for the bank over the next five to ten years is our ability to continue growing our footprint in Monroe County and potentially widening that footprint in other counties of eastern Pennsylvania. We also want to continue delivering our brand of service to those locations while creating value for our shareholders."

**CEOCFO:** What geographic areas do you service today?

**Mr. Olson:** "I'll put it in two different contexts. The first being for lending – we originate loans in a 50-mile radius around Stroudsburg. On the deposit side, we collect deposits in about a 30-mile radius around Stroudsburg."

**CEOCFO:** What effect has the current economy had on the area?

**Mr. Olson:** "In the last six or seven months, we've had some of the busiest months for loan originations in our history. Because many of the national lenders have scaled back or retreated altogether, some of that market share is open to companies like ESSA that are still lending in the marketplace. We think that's a big reason for our increased loan volumes. In any given month, our deposit

growth has been flat or deposits have even shrunk during the same period. We've seen the cash flow needs of our customers change with respect to increased costs for food and gas and other things. There's not much money left at the end of the day for savings."

**CEOCFO:** What is the competitive landscape like for you?

**Mr. Olson:** "The competitive landscape here in Monroe County has been increasing now for probably about two decades. Back in the 1980's, we were competing against regional banks. However, over the last 20 years, competition has increased to include many of the national players. Companies like Countrywide and WAMU originate loan paper in Monroe County. On the deposit side, we compete mainly with the regional banks, but to some degree with the national players such as Citizens Bank and Wachovia, and the super regionals such as Sovereign and PNC. So, competition has continued to increase. Monroe County, where we do the bulk of our business, has been one of the faster growing counties in Pennsylvania, a fact that many of the bankers in our region haven't overlooked. We continue to build branches in our area to gather the deposits that come as a result of that growth."

**CEOCFO:** You are a leading service-oriented financial institution headquartered in the Poconos; what do you do that is different?

**Mr. Olson:** "When we train our folks here at ESSA, we like them to understand what our mission is all about. We talk about our friendliness and the importance of knowing each customer's name. When customers come into the branch or to the drive-up window, our staff greets them with a smile and a pleasant conversation. We do this to find out what each customer needs rather than just push products. We utilize a needs-based approach and do it in a way that is helpful to the customer."

**CEOCFO:** How many branches do you have, and do you see new branches in the future?

**Mr. Olson:** "We have thirteen branches. Seven are freestanding branches, or bricks and mortar, and six are located inside Weis supermarkets. We are currently seeking the necessary regulatory approvals for our fourteenth branch, which will be located in Mountainhome, Pennsylvania, roughly 15 miles north of Stroudsburg. We hope to open that branch sometime in the first six months of 2009. We have a number of other locations that we're looking at immediately to the south of Monroe County in the Lehigh Valley."

**CEOCFO:** Supermarket branches get mixed results; how are they working for you?

**Mr. Olson:** "There've been a lot of reports in the media of how well supermarket branches have fared for some institutions. For ESSA, they've worked ex-

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**- Gary S. Olson**

tremely well, starting with our Tannersville location in 1993. Our business model calls for seven-day-a-week banking, so we're open on weekends from 10am - 4pm. During the week, we're open until 7pm. We understand that many of the people that live here don't work here. They don't get home until after five or six at night, so we give some opportunity to get into the branch before 7pm. Of course, they always have the option to come in Saturday or Sunday between 10 and 4, and that works really well for us here in Monroe County."

**CEOCFO:** Is asset management a growing feature for you?

**Mr. Olson:** "Yes, but growth has been a bit slow. We're approaching \$40 million in terms of assets that we manage, and we have two full-time trust officers. We know that baby-boomers have been accumulating substantial pension and 401(k) assets and many will soon be moving into retirement. This socio-economic

shift will provide us with an opportunity to grow and is an area that we'll be focusing on into the future."

**CEOCFO:** Are there products and services that you are not offering now that you would like to add to the mix?

**Mr. Olson:** "There are a couple of things, mostly having to do with delivery channels. We are looking at mobile banking which would give our customers access to their bank accounts through cell telephones, PDA's and such, and we're looking at other services such as remote deposit capture for our business customers. We also don't offer a credit card, so we're looking to launch that product within the next six months."

**CEOCFO:** Will you tell us about the ESSA Bank & Trust Foundation?

**Mr. Olson:** Through the Foundation, we have established a means for giving back to the community to improve the quality of life, and we've been doing this now for about ten years. Prior to becoming a public company, we would take 10 percent of our net income each year, put it into the foundation, and distribute it to various 501(c)(3) organizations in our community. When we went public in April of 2007, the regulators gave an option of funding the foundation using some of the proceeds from the IPO (initial public offering). We elected to contribute the maximum, which was 8 percent, or about \$12 million, to the Foundation. The only difference now is that the Foundation is permanently funded so we can continue to support the 501(c)(3)'s that we always have here in Monroe County and our immediate surroundings."

**CEOCFO:** What is the financial picture like today for ESSA?

**Mr. Olson:** "Things are looking pretty good. Our interest margins are widening and our noninterest income is up slightly, so in terms of net income, we expect to have something very similar to what we experienced last year."

**CEOCFO:** What is the quality of the mortgages you issue?

**Mr. Olson:** “We don’t do what the media has characterized as sub-prime lending. That’s not the bulk or even remotely a major part of our business. The loans that we put on our books, we keep rather than selling them off to Freddie Mac or Fannie Mae. I guess you could say that we do banking the old fashioned way and keep the loans that we make. If you look at our history for delinquencies and credit quality, you’ll see that those numbers are very strong. Through the last quarter in June, our numbers are still good, so loan quality hasn’t been a problem at ESSA.”

**CEOCFO:** You went public a year ago; why was that the right time, and has that changed the bank at all?

**Mr. Olson:** “We decided that it was time for ESSA to go public because it would give us access to capital markets that we didn’t previously have and because we are in a growing community where there’s a lot of opportunity. As far as changing, I would say we operated like a public company even when we were a mutual savings and loan. We would focus on things like return on equity, and we certainly focused on managing expenses,

as any public company would do. To be honest, there hasn’t been that much of a change since going public. The only change might be that we now get inquiries from our shareholders that we previously didn’t have. We have a group of owners now, but we perform the same way that we always have.”

**CEOCFO:** Are you paying a dividend?

**Mr. Olson:** “We are paying a dividend. It’s currently four cents a share on a quarterly basis.”

**CEOCFO:** Are you doing a stock repurchase as well?

**Mr. Olson:** “Yes we began a stock repurchase program in May this year (2008). The board authorized management to purchase up to 15% of our publicly held, outstanding shares of capital stock.”

**CEOCFO:** Why should investors look at ESSA?

**Mr. Olson:** “If you want to consider why we might be a good investment, you would have to focus on something that I just talked about - our credit quality. You could look at our revenue stream as

an indication that we’re growing, and you might look at the amount of capital that we have. From that, you would understand that we are a safe bank.”

**CEOCFO:** In closing, as CEO what is your focus on a daily basis?

**Mr. Olson:** “I like to interact with our staff. We talk regularly about meeting our budget goals and making sure that we’re on target with our plan. My second area of focus is on strategy - looking into the future and determining where we’ll take ESSA based on our mission statement and our guiding principles. Referring back to that vision you asked me about earlier, that means determining how we’re really going to get to where that vision says we should be in ten years. Those are the two main areas, talking to our people and seeing how their daily activities are contributing to the attainment of our business goals, and then developing strategies to ensure our ongoing success.”



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