UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2007

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

(570) 421-0531

(Registrant s telephone number)

N/A

(Former name or former address, if changed since last report)

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 12 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 x.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer x

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO x

As of May 14, 2007 there were 16,980,900 shares of the Registrant s common stock, par value $0.01 per share, outstanding.

Table of Contents

ESSA Bancorp, Inc.

FORM 10-Q

Index

Table of Contents

Part I. Financial Information

Item 1. Financial Statements

ESSA BANK & TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

	March 31, 2007	September 30, 2006
	(dollars in thousands)	
ASSETS		
Cash and due from banks	$ 13,120	$ 11,677
Interest-bearing deposits with other institutions	126,342	1,053
Total cash and cash equivalents	139,462	12,730
Investment securities available for sale	142,872	89,122
Investment securities held to maturity (market value of $18,018 and $19,193)	18,333	19,715
Loans receivable (net of allowance for loan losses of $4,028 and $3,855)	579,918	556,677
Federal Home Loan Bank stock	13,971	13,675
Premises and equipment	11,387	11,447
Bank-owned life insurance	13,643	13,376
Other assets	8,283	9,054
TOTAL ASSETS	$ 927,869	$ 725,796
LIABILITIES		
Deposits	$ 418,815	$ 402,153
Short-term borrowings	20,000	35,299
Other borrowings	233,000	224,000
Stock offering subscription rights	188,108	
Advances by borrowers for taxes and insurance	3,810	2,198
Other liabilities	3,403	3,809
TOTAL LIABILITIES	867,136	667,459
Commitment and contingencies		
EQUITY		
Retained earnings	60,688	58,526
Accumulated other comprehensive income (loss)	45	(189)
TOTAL EQUITY	60,733	58,337
TOTAL LIABILITIES AND EQUITY	$ 927,869	$ 725,796

See accompanying notes to the unaudited consolidated financial statements.

1

Table of Contents

ESSA BANK & TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

	For the Three Months Ended March 31, 2007	For the Three Months Ended March 31, 2006	For the Six Months Ended March 31, 2007	For the Six Months Ended March 31, 2006
	(dollars in thousands)			
INTEREST INCOME				
Loans receivable	$ 8,762	$ 7,752	$ 17,385	$ 15,348
Investment securities:				
Taxable	1,279	786	2,493	1,536
Exempt from federal income tax	74	66	147	133
Other investment income	601	227	785	413
Total interest income	10,716	8,831	20,810	17,430
INTEREST EXPENSE				
Deposits	2,699	2,084	5,366	4,103
Short-term borrowings	627	170	839	410
Other borrowings	2,462	2,273	5,417	4,417
Total interest expense	5,788	4,527	11,622	8,930
NET INTEREST INCOME	4,928	4,304	9,188	8,500
Provision for loan losses	90	75	180	150
NE`T INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,838	4,229	9,008	8,350
NONINTEREST INCOME				
Service fees on deposit accounts	837	936	1,756	1,920
Services charges and fees on loans	122	114	256	235
Trust and investment fees	189	146	400	319
Gain on sale of loans, net	1		12	
Earnings on Bank-owned life insurance	132	123	267	250
Other	16	20	34	48
Total noninterest income	1,297	1,339	2,725	2,772
NONINTEREST EXPENSE				
Compensation and employee benefits	2,594	2,245	5,167	4,571
Occupancy and equipment	644	627	1,261	1,213
Professional fees	171	189	308	396
Data processing	456	460	883	908
Advertising	149	177	336	311
Other	290	458	780	976
Total noninterest expense	4,304	4,156	8,735	8,375

Income before income taxes	1,831	1,412	2,998	2,747
Income taxes	530	429	836	819
NET INCOME	$ 1,301	$ 983	$ 2,162	$ 1,928

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

ESSA BANK & TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(UNAUDITED)

Six Months Ended March 31, 2007

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity	Comprehensive Income
		(dollars in thousands)		
Balance, September 30, 2006	$ 58,526	$ (189)	$ 58,337	
Net income	2,162		2,162	$ 2,162
Other comprehensive income:				
Unrealized gain on securities available for sale, net of tax expense of $120		234	234	234
Comprehensive income				$ 2,396
Balance, March 31, 2007	$ 60,688	$ 45	$ 60,733	

See accompanying notes to the unaudited consolidated financial statements.

3

Table of Contents

ESSA BANK & TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

	For the Six Months Ended March 31, 2007	2006
	(dollars in thousands)	
OPERATING ACTIVITIES		
Net income	$ 2,162	$ 1,927
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	180	142
Provision for depreciation and amortization.	571	537
Amortization (accretion) of discounts and premiums	(580)	(186)
Gain on sale of loans, net	(12)	
Origination of loans sold	(899)	
Proceeds from sale of loans	911	
Increase in accrued interest receivable	(773)	(220)
Increase in accrued interest payable	455	370
Earnings on Bank-owned life insurance	(267)	(250)
Deferred federal income taxes	31	(111)
Other, net	533	(716)
Net cash provided by operating activities	2,312	1,493
INVESTING ACTIVITIES		
Investment securities available for sale:		
Proceeds from principal repayments and maturities	21,644	11,607
Purchases	(75,304)	(12,650)
Investment securities held to maturity:		
Proceeds from principal repayments and maturities	1,372	1,950
Purchases		(1,987)
Increase in loans receivable, net	(22,568)	(22,911)
Redemption of FHLB stock	1,622	1,228
Purchase of FHLB stock	(1,918)	(954)
Proceeds from sale of other real estate		67
Purchase of premises, equipment, and software	(511)	(602)
Net cash used for investing activities	(75,663)	(24,252)
FINANCING ACTIVITIES		
Increase in deposits, net	16,662	19,873
Net decrease in short-term borrowings	(15,299)	(9,664)
Proceeds from other borrowings	21,000	20,000
Repayment of other borrowings	(12,000)	(8,000)
Proceeds from stock offering subscription rights	188,108	
Increase in advances by borrowers for taxes and insurance	1,612	1,541
Net cash provided by financing activities	200,083	23,750
Increase in cash and cash equivalents	126,732	991

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD 12,730	12,730	20,290
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 139,462	$ 21,281
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid:		
Interest	$ 11,167	$ 8,560
Income taxes	480	900
Noncash items:		
Other real estate owned		(59)

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

ESSA BANK & TRUSTAND SUBSIDIARIES

Notes to Consolidated Financial Statements

(unaudited)

1. Nature of Operations and Basis of Presentation

ESSA Bank & Trust (the Bank) is a Pennsylvania chartered savings association located in Stroudsburg, Pennsylvania. The Bank s primary business consists of the taking of deposits and granting of loans to customers generally in Monroe and Northampton counties, Pennsylvania. The Bank is subject to regulation and supervision by the Pennsylvania Department of Banking and the Office of Thrift Supervision (the OTS).

The consolidated financial statements include the accounts of the Bank and the Bank s wholly owned subsidiaries, ESSACOR Inc. and Pocono Investment Company. ESSACOR, Inc. is a Pennsylvania corporation that is currently inactive. Pocono Investment Company is a Delaware corporation formed as an investment company subsidiary to hold and manage certain investments of ESSA Bank & Trust, including certain intellectual property. All intercompany transactions have been eliminated in consolidation.

The unaudited consolidated financial statements reflect all adjustments, which in the opinion of management are necessary for a fair presentation of the results of the interim periods and are of a normal and recurring nature. Operating results for the three- and six-month periods ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ending September 30, 2007.

2. Use of Estimates in the Preparation of Financial Statements

The accounting principles followed by the Bank and its subsidiaries 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, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet date and related revenues and expenses for the period. Actual results could differ significantly from those estimates.

3. Comprehensive Income

The components of comprehensive income consist exclusively of unrealized gains and losses on available for sale securities. For the six months ended March 31, 2007, this activity is shown under the heading Comprehensive Income as presented in the Consolidated Statement of Changes in Equity (Unaudited). For the six months ended March 31, 2006, comprehensive income totaled $1,733,000. For the three months ended March 31, 2007 and 2006, comprehensive income totaled $903,000 and $1,520,000, respectively.

4. Recent Accounting Pronouncements

In September 2006, the FASB issued FAS No. 157, *Fair Value Measurements*, which provides enhanced guidance for using fair value to measure assets and liabilities. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value. The Standard does not expand the use of fair value in any new circumstances. FAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact the adoption of the standard will have on the Company s financial position and results of operations.

Table of Contents

In September 2006, the FASB issued FAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Post Retirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)*. FAS No. 158 requires that a company recognize the overfunded or underfunded status of its defined benefit post retirement plans (other than multiemployer plans) as an asset or liability in its statement of financial position and that it recognize changes in the funded status in the year in which the changes occur through other comprehensive income. FAS No. 158 also requires the measurement of defined benefit plan assets and obligations as of the fiscal year end, in addition to footnote disclosures. FAS No. 158 is effective for fiscal years ending after December 15, 2006. The Company is currently evaluating the impact the adoption of the standard will have on the Company s financial position.

In February 2007, the FASB issued FAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115*, which provides all entities with an option to report selected financial assets and liabilities at fair value. The objective of the FAS No. 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in earnings caused by measuring related assets and liabilities differently without having to apply the complex provisions of hedge accounting. FAS No. 159 is effective as of the beginning of an entity s first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007 provided the entity also elects to apply the provisions of FAS No. 157, Fair Value Measurements. The adoption of this standard is not expected to have a material effect on the Company s results of operations or financial position.

In June 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. FIN 48 is an interpretation of FAS No. 109, *Accounting for Income Taxes*, and it seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. In addition, FIN No. 48 requires expanded disclosure with respect to the uncertainty in income taxes and is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact the adoption of the standard will have on the Company s results of operations.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108 (SAB 108), *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements*, providing guidance on quantifying financial statement misstatement and implementation when first applying this guidance. Under SAB No. 108, companies should evaluate a misstatement based on its impact on the current year income statement, as well as the cumulative effect of correcting such misstatements that existed in prior years existing in the current year s ending balance sheet. SAB 108 is effective for fiscal years ending after November 15, 2006. The Company is currently evaluating the impact the adoption of the standard will have on the Company s results of operations.

In September 2006, the FASB reached consensus on the guidance provided by Emerging Issues Task Force Issue 06-4 (EITF 06-4), *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*. The guidance is applicable to endorsement split-dollar life insurance arrangements, whereby the employer owns and controls the insurance policy, that are associated with a postretirement benefit. EITF 06-4 requires that for a split-dollar life insurance arrangement within the scope of the Issue, an employer should recognize a liability for future benefits in accordance with FAS No. 106 (if, in substance, a postretirement benefit plan exists) or Accounting Principles Board Opinion No. 12 (if the arrangement is, in substance, an individual deferred compensation contract) based on the substantive agreement with the employee. EITF 06-4 is effective for fiscal years beginning after December 15, 2007. The Company is currently evaluating the impact the adoption of the EITF will have on the Company s results of operations or financial condition.

Table of Contents

In September 2006, the FASB reached consensus on the guidance provided by Emerging Issues Task Force Issue 06-5(EITF 06-5), *Accounting for Purchases of Life Insurance Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, Accounting for Purchases of Life Insurance*. EITF 06-5 states that a policyholder should consider any additional amounts included in the contractual terms of the insurance policy other than the cash surrender value in determining the amount that could be realized under the insurance contract. EITF 06-5 also states that a policyholder should determine the amount that could be realized under the life insurance contract assuming the surrender of an individual-life by individual-life policy (or certificate by certificate in a group policy). EITF 06-5 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact the adoption of the standard will have on the Company s results of operations or financial condition.

In March 2007, the FASB ratified Emerging Issues Task Force Issue No. 06-10 (EITF 06-10), *Accounting for Collateral Assignment Split-Dollar Life Insurance Agreements*. EITF 06-10 provides guidance for determining a liability for the postretirement benefit obligation as well as recognition and measurement of the associated asset on the basis of the terms of the collateral assignment agreement. EITF 06-10 is effective for fiscal years beginning after December 15, 2007. The Company is currently evaluating the impact the adoption of the EITF will have on the Company s results of operations or financial condition.

5. Investment Securities

The amortized cost and estimated market value of investment securities available for sale and held to maturity are summarized as follows (in thousands):

	2007			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Market Value**
Available for Sale				
Fannie Mae	$ 22,472	$ 81	$ (52)	$ 22,501
Freddie Mac	64,353	75	(395)	64,033
Governmental National Mortgage Association securities	16,168	110	(6)	16,272
Total mortgage-backed securities	102,993	266	(453)	102,806
Obligations of states and political subdivisions	6,239	185	(1)	6,423
U.S. government agency securities	32,691	52	(79)	32,664
Total debt securities	141,923	503	(533)	141,893
Equity securities	882	101	(4)	979
Total	$ 142,805	$ 604	$ (537)	$ 142,872
Held to Maturity				
Fannie Mae	$ 8,426	$ 3	$ (191)	$ 8,238
Freddie Mac	5,177		(100)	5,077
Total mortgage-backed securities	13,603	3	(291)	13,315
U.S. government agency securities	4,730		(27)	4,703
Total	$ 18,333	$ 3	$ (318)	$ 18,018

	2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Available for Sale				
Fannie Mae	$ 6,988	$ 33	$ (31)	$ 6,990
Freddie Mac	22,836	3	(523)	22,316
Governmental National Mortgage Association securities	10,503	98		10,601
Total mortgage-backed securities	40,327	134	(554)	39,907
Obligations of states and political subdivisions	6,240	225		6,465
U.S. government agency securities	41,960	35	(180)	41,815
Total debt securities	88,527	394	(734)	88,187
Equity securities	882	64	(11)	935
Total	$ 89,409	$ 458	$ (745)	$ 89,122
Held to Maturity				
Fannie Mae	$ 9,263	$ 4	$ (309)	$ 8,958
Freddie Mac	5,722		(168)	5,554
Total mortgage-backed securities	14,985	4	(477)	14,512
U.S. government agency securities	4,730		(49)	4,681
Total	$ 19,715	$ 4	$ (526)	$ 19,193

The amortized cost and estimated market value of debt securities at March 31, 2007, 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	Estimated Market Value	Amortized Cost	Estimated Market Value
Due in one year or less	$ 18,323	$ 18,251	$ 1,735	$ 1,724
Due after one year through five years	24,273	23,950	9,624	9,454
Due after five years through ten years	1,829	1,876	2,995	2,947
Due after ten years	98,380	98,795	3,979	3,893
Total	$ 142,805	$ 142,872	$ 18,333	$ 18,018

The Bank had no sale of investment securities for the six months ended March 31, 2007 and 2006.

Table of Contents

6. Net Periodic Benefit Cost-Defined Benefit Plan

For a detailed disclosure on the Bank s pension and employee benefits plans, please refer to Note 13 of the Bank s Consolidated Financial Statements for the year ended September 30, 2006 included in the Registration Statement on Form S-1.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2007	2006	2007	2006
Components of net periodic pension cost				
Service Cost	$ 154	134	307	267
Interest Cost	120	99	239	199
Expected return on plan assets	(111)	(97)	(222)	(194)
Amortization of prior service cost	2	2	5	5
Amortization of unrecognized loss	46	31	93	61
Amortization of transition obligation				1
Net periodic benefit cost	$ 211	$ 169	$ 422	$ 339

The Bank expects to contribute $1.3 million to its pension plan in 2007.

7. Subsequent Event

On July 25, 2006, the ESSA Bank & Trust s Board of Directors adopted a Plan of Conversion (the Plan) pursuant to which the Bank will convert into a Pennsylvania chartered stock association and form ESSA Bancorp, Inc., a Pennsylvania chartered company (the Company). On December 7, 2006 the Company filed a Registration Statement on Form S-1 with the Securities and Exchange Commission (File No. 333-139157) with respect to the shares to be offered and sold pursuant to the Plan. The Company registered for offer and sale 16,980,900 shares of common stock, par value $0.01 per share, at a sales price of $10.00 per share.

The stock offering, which was completed on March 15, 2007, resulted in gross proceeds of $158.7 million, through the sale of 15,870,000 shares at a price of $10.00 per share. The Company also contributed 1,110,900 shares of its common stock to the ESSA Bank & Trust Foundation and $1.6 million in cash. Expenses related to the offering were approximately $2.8 million which resulted in net proceeds of approximately $155.9 million prior to the contribution to ESSA Bank & Trust Foundation.

The Company lent approximately $13.6 million to the Bank s Employee Stock Ownership Plan. The Company retained approximately $64.4 million of the net proceeds of the offering prior to the contribution to ESSA Bank & Trust Foundation, and the remainder of the net proceeds was contributed to the Bank.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations
Forward Looking Statements

This Quarterly Report contains forward-looking statements, which can be identified by the use of such words as estimate, project, believe, intend, anticipate, plan, seek, expect and similar expressions. These forward-looking statements include:

- statements of our goals, intentions and expectations;
- statements regarding our business plans and prospects and growth and operating strategies;
- statements regarding the asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the following important factors that could affect the actual outcome of future events:

- significantly increased competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;
- general economic conditions, either nationally or in our market areas, that are worse than expected;
- adverse changes in the securities markets;
- legislative or regulatory changes that adversely affect our business;
- our ability to enter new markets successfully and take advantage of growth opportunities, and the possible short-term dilutive effect of potential acquisitions or *de novo* branches, if any;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies and the Financial Accounting Standards Board; and
- changes in our organization, compensation and benefit plans.

Overview

On February 22, 2007, the Company commenced its initial stock offering whereby the Company offered for sale up to 13,800,000 shares of its common stock, subject to adjustment to up to 15,870,000 shares of common stock, for a price of $10.00 per share. The transaction closed at the adjusted maximum level of shares, and 15,870,000 shares were sold in the offering. The Company also contributed 1,110,900 shares of the Company s outstanding common stock, and contributed $1.6 million in cash, to a charitable foundation established by ESSA Bank & Trust. The stock offering expired on March 15, 2007, and the offering was consummated on April 3, 2007.

Table of Contents

Comparison of Financial Condition at March 31, 2007 and September 30, 2006

Total Assets. Total assets increased by $202.1 million, or 27.8%, to $927.9 million at March 31, 2007 from $725.8 million at September 30, 2006. This increase was primarily due to increases in cash and due from banks, interest-bearing deposits with other institutions, investment securities and loans receivable.

Cash and Due from Banks. Cash and due from banks increased $1.4 million, or 12.4% to $13.1 million at March 31, 2007 from $11.7 million at September 30, 2006. The increase was primarily due to increased retail deposit volume at the Bank contributing to an increase in the Bank s Federal Reserve Bank balance at March 31, 2007.

Interest-Bearing Deposits with Other Institutions. Interest-bearing deposits with other institutions increased $125.3 million to $126.3 million at March 31, 2007 from $1.1 million at September 30, 2006. As noted earlier, the Company s initial stock offering commenced on February 22, 2007 and was consummated on April 3, 2007. Funds received from prospective subscribers during the offering were held in a demand deposit account at the Bank. These funds contributed to an increase in the Bank s Federal Home Loan Bank of Pittsburgh demand deposit account of $125.2 million at March 31, 2007 compared to September 30, 2006.

Investment Securities. Investment securities increased $52.4 million, or 48.1% to $161.2 million at March 31, 2007, from $108.8 million at September 30, 2006. This increase was due to the Bank s normal reinvesting of cash flow and maturities from the investment portfolio along with funds from new deposits. In addition, during March 2007, the Bank began investing some of the anticipated net proceeds from the initial stock offering. Overall, from September 30, 2006 through March 31, 2007, the Bank s investments in United States government sponsored agency mortgage-backed securities increased $61.5 million while other investments, primarily U.S. government agency securities, decreased $9.1 million.

Net Loans. Net loans increased $23.2 million, or 4.2%, to $579.9 million at March 31, 2007 from $556.7 million at September 30, 2006. During this period residential loans outstanding increased $18.3 million, commercial loans increased $3.9 million, and consumer loans increased $1.1 million.

Deposits and Stock Offering Subscription Rights. Deposits increased by $16.7 million or 4.1% to $418.8 million at March 31, 2007, from $402.2 million at September 30, 2006. Savings and club accounts increased $14.3 million from September 30, 2006 to March 31, 2007. In addition, proceeds from stock offering subscription rights received during the Company s initial stock offering were held in a demand deposit account. These funds, shown separately on the Bank s balance sheet amounted to $188.1 million at March 31, 2007.

Borrowed Funds. Funds borrowed from the Federal Home Loan Bank of Pittsburgh decreased by $6.3 million, or 2.4%, to $253.0 million at March 31, 2007, from $259.3 million at September 30, 2006. The decrease in borrowed funds was primarily attributable to the increase in deposits resulting primarily from the Company s initial stock offering.

Total Equity. Total equity increased by $2.4 million, or 4.1%, to $60.7 million at March 31, 2007 from $58.3 million at September 30, 2006. The increase reflected net income of $2.2 million for the six month period ended March 31, 2007 in addition to a $234,000 decrease in other comprehensive losses due to unrealized losses on investment securities available for sale at March 31, 2007.

Table of Contents

Comparison of Operating Results for the Six Months Ended March 31, 2007 and March 31, 2006

Net Income. Net income increased $234,000, or 12.1%, to $2.2 million for the six months ended March 31, 2007 from $1.9 million for the comparable 2006 period. The increase was primarily the result of an increase in net interest income which was offset in part by a decrease in total non-interest income and an increase in total non-interest expense.

Net Interest Income. Net interest income increased by $688,000, or 8.1%, to $9.2 million for the six months ended March 31, 2007 from $8.5 million for the comparable 2006 period. The increase was primarily attributable to an increase in net average interest earnings assets of $20.9 million offset by a 24 basis point decrease in the interest rate spread to 2.27% for the six months ended March 31, 2007 from 2.51% for the comparable 2006 period.

Interest Income. Interest income increased $3.4 million, or 19.4%, to $20.8 million for the six months ended March 31, 2007 from $17.4 million for the comparable 2006 period. The increase resulted from a $87.5 million increase in average interest-earning assets combined with a 27 basis point increase in the overall yield on interest earning assets to 5.86% for the six months ended March 31, 2007, from 5.59% for the comparable 2006 period. Loans increased on average $49.8 million between the two periods along with increases in the average balance of investment securities, including mortgage-backed securities of $30.2 million. Also, average Federal Home Loan Bank stock increased $2.3 million along with an increase in the average balance of other interest earning assets of $5.1 million. The primary reason for the increase in average other interest earning assets was due to the funds received for stock orders during the Company s initial stock offering which commenced on February 22, 2007 and was consummated on April 3, 2007. The primary reason for the increase in average investment securities was that during March 2007, the Company began investing some of the anticipated net proceeds from the stock offering. These investments amounted to approximately $48.2 million at March 31, 2007.

Interest Expense. Interest expense increased $2.7 million, or 30.1%, to $11.6 million for the six months ended March 31, 2007 from $8.9 million for the comparable 2006 period. The increase resulted from a $66.5 million increase in average interest-bearing liabilities, combined with a 51 basis point increase in the overall cost of interest bearing liabilities to 3.59% for the six months ended March 31, 2007 from 3.08% for the comparable 2006 period. Average interest bearing deposits increased $25.7 million along with an increase in average borrowed funds of $40.8 million.

Provision for Loan Losses. 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 a 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 subject to interpretation and revision as more information becomes available or as future events occur. After an evaluation of these factors, management made a provision for loan losses of $180,000 for the six months ended March 31, 2007 as compared to $150,000 for the six months ended March 31, 2006. The allowance for loan losses was $4.0 million, or 0.69% of loans outstanding at March 31, 2007, compared to $3.7 million, or 0.69% of loans outstanding at March 31, 2006.

Non-interest Income. Non-interest income decreased $47,000 or 1.7% to $2.7 million for the six months ended March 31, 2007, from $2.8 million for the comparable 2006 period. The decrease was primarily due to a decrease in service fees on deposit accounts of $164,000 which was partially offset by increases in trust and investment fees of $81,000 and service charges and fees on loans of $21,000. The decrease in service fees on deposit accounts was primarily due to a decrease in non-sufficient fund charges of $135,000.

Non-interest Expense. Non-interest expense increased by $360,000, or 4.3%, to $8.7 million for the six months ended March 31, 2007, from $8.4 million for the comparable 2006 period. Increases in compensation and employee benefits of $596,000, occupancy and equipment of $48,000 and advertising of $25,000 were partially offset by decreases in professional fees of $88,000, data processing of $25,000 and other expenses of $196,000. The increase in compensation and employee benefits was the result of normal merit increases combined with increases in board of director fees, incentive accruals and pension and other benefit costs. The increase in occupancy and equipment costs was the result of increases in lease expense and depreciation expense. Advertising expense increased as a result of our increased efforts to maintain and improve our presence in our market area. Professional fees decreased primarily as a result of the expiration of a third party consulting agreement in August 2006 related to the Bank s overdraft protection product. Data processing costs decreased primarily as a result of the expiration in April 2006 of a third party network consulting agreement. Finally, other expenses decreased primarily due to a decrease in the amount accrued as a contribution to the Bank s former charitable foundation to zero for the six months ending March 31, 2007 from $205,000 for the comparable 2006 period.

Income Taxes. Income tax expense increased by $17,000, or 2.1%, to $836,000 for the six months ended March 31, 2007 from $819,000 for the comparable 2006 period. The effective tax rate was 27.9% for the six months ended March 31, 2007 compared to 29.8% for the comparable 2006 period.

Comparison of Operating Results for the Three Months Ended March 31, 2007 and March 31, 2006

Net Income. Net income increased $318,000, or 32.3%, to $1.3 million for the three months ended March 31, 2007 from $983,000 for the comparable 2006 period. The increase was primarily the result of an increase in net interest income offset in part by a decrease in noninterest income and an increase in noninterest expense.

Net Interest Income. Net interest income increased by $624,000, or 14.5%, to $4.9 million for the three months ended March 31, 2007 from $4.3 million for the comparable 2006 period. The increase was primarily attributable to an increase in net average interest earnings assets of $34.4 million offset by a 22 basis point decrease in the interest rate spread to 2.34% for the three months ended March 31, 2007 from 2.56% for the comparable 2006 period.

Interest Income. Interest income increased $1.9 million, or 21.3%, to $10.7 million for the three months ended March 31, 2007 from $8.8 million for the comparable 2006 period. The increase resulted from a $105.7 million increase in average interest-earning assets combined with a 22 basis point increase in the overall yield on interest earning assets to 5.90% for the three months ended March 31, 2007, from 5.68% for the comparable 2006 period. Loans increased on average $50.5 million between the two periods along with increases in the average balance of investment securities, including mortgage-backed securities of $34.2 million. In addition, average Federal Home Loan Bank stock increased $2.4 million along with an increase in the average balance of other interest earning assets of $18.5 million. The primary reason for the increase in other interest earning assets was funds received for stock orders during the Company s initial stock offering which commenced on February 22, 2007 and was consummated on April 3, 2007. These funds were maintained in a demand account at the FHLB. The primary reason for the increase in investment securities was that during March 2007, the Company began investing the anticipated net proceeds from the stock offering. These investments amounted to approximately $48.2 million at March 31, 2007.

Interest Expense. Interest expense increased $1.3 million, or 27.9%, to $5.8 million for the three months ended March 31, 2007 from $4.5 million for the comparable 2006 period. The increase resulted from a $71.3 million increase in average interest-bearing liabilities, combined with a 44 basis point increase in the overall cost of interest bearing liabilities to 3.56% for the three months ended March 31, 2007 from 3.12% for the comparable 2006 period. Average interest bearing deposits increased $32.9 million along with an increase in average borrowed funds of $38.4 million. The increase in interest bearing deposits was due primarily to activity related to the Company s initial stock offering.

Table of Contents

Provision for Loan Losses. 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 a 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 subject to interpretation and revision as more information becomes available or as future events occur. After an evaluation of these factors, management made a provision for loan losses of $90,000 for the three months ended March 31, 2007 as compared to $75,000 for the three months ended March 31, 2006. The allowance for loan losses was $4.0 million, or 0.69% of loans outstanding at March 31, 2007, compared to $3.7 million, or 0.69% of loans outstanding at March 31, 2006.

Non-interest Income. Non-interest income decreased $42,000 or 3.1% to $1.3 million for the three months ended March 31, 2007, from $1.3 million for the comparable 2006 period. The decrease was primarily due to a decrease in service fees on deposit accounts of $99,000 which was partially offset by increases in trust and investment fees of $43,000 and service charges and fees on loans of $8,000. The decrease in service fees on deposit accounts was primarily due to a decrease in non-sufficient fund charges of $84,000.

Non-interest Expense. Non-interest expense increased by $148,000, or 3.6%, to $4.3 million for the three months ended March 31, 2007, from $4.2 million for the comparable 2006 period. Increases in compensation and employee benefits of $349,000, and occupancy and equipment of $17,000 were partially offset by decreases in professional fees of $18,000, advertising of $28,000 and other expenses of $168,000. The increase in compensation and employee benefits was the result of normal merit increases combined with increases in board of director fees, incentive accruals and pension and other benefit costs. The increase in occupancy and equipment costs was the result of increases in utilities and depreciation expense. Advertising expense decreased as a result of the timing of promotional ads between periods. Professional fees decreased primarily as a result of the expiration of a third party consulting agreement in August 2006 related to the Bank s overdraft protection product. Finally, other expenses decreased primarily as a result of the reversal in March, 2007 of $166,000 of accrued expense for contributions to the Bank s former charitable Foundation. Contribution expense to the former charitable foundation was $97,000 for the 2006 period.

Income Taxes. Income tax expense increased by $101,000, or 23.5%, to $530,000 for the three months ended March 31, 2007 from $429,000 for the comparable 2006 period. The effective tax rate was 28.9% for the three months ended March 31, 2007 compared to 30.4% for the comparable 2006 period.

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, 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 Federal Home Loan Bank advances. 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 March 31, 2007, $139.5 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. Short-term investment securities (maturing in one year or less) totaled $48.3 million at March 31, 2007. As of March 31, 2007, we had $253.0 million in borrowings outstanding from the Federal Home Loan Bank of Pittsburgh and we have access to additional Federal Home Loan Bank advances of up to approximately $531.4 million.

At March 31, 2007, we had $56.0 million in loan commitments outstanding, which included $15.0 million in undisbursed construction loans, $21.0 million in unused home equity lines of credit, $6.1 million in commercial lines of credit and $3.7 million to originate primarily multi-family and nonresidential mortgage loans. Certificates of deposit due within one year of March 31, 2007 totaled $150.6 million, or 71% 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, 2007. 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 $2.3 million and $1.5 million for the six months ended March 31, 2007 and 2006, 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 used in investing activities was $75.7 million and $24.3 million for the six months ended March 31, 2007 and 2006, respectively, principally reflecting our loan and investment security activities in the respective periods. Investment security cash flows had the most significant effect, as net cash utilized in purchases amounted to $75.3 million and $14.6 million for the six months ended March 31, 2007 and 2006, respectively. Deposit, borrowing, and stock offering subscription rights cash flows have comprised most of our financing activities which resulted in net cash provided of $200.1 million and $23.8 million for the six months ended March 31, 2007 and 2006, respectively.

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.

Table of Contents

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.

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.

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.

Table of Contents

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements (as such term is defined in applicable Securities and Exchange Commission rules) that are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

During the first six months of 2007, the Company s contractual obligations have not changed materially from those discussed in the Company s Financial Statements for the year ended September 30, 2006.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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 mortgage loans, have 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. The net proceeds from the offering will increase our capital and provide management with greater flexibility to manage our interest rate risk. In particular, management intends to leverage the capital we receive to increase our interest-earning assets. There have been no material changes in our interest rate risk since September 30, 2006.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief 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 period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms.

There were no significant changes made in the Company s internal controls over financial reporting or in other factors that could significantly affect the Company s internal controls over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Part II Other Information

Item 1. 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 financial condition or results of operations.

Table of Contents

Item 1A. Risk Factors

There have been no material changes in the Risk Factors disclosed in the Company s Registration Statement on Form S-1 (Commission File No. 333-139157).

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) There were no sales of unregistered securities during the period covered by this Report.

(b) On July 25, 2006, the Company s Board of Directors adopted a Plan of Conversion (the Plan). On December 7, 2006 the Company filed a Registration Statement on Form S-1 with the Securities and Exchange Commission (File No. 333-139157) with respect to the shares to be offered and sold pursuant to the Plan. The Company registered for offer and sale 16,980,900 shares of common stock, par value $0.01 per share, at a sales price of $10.00 per share. The Securities and Exchange Commission declared the Registration Statement on Form S-1 effective on February 12, 2007.

Ryan, Beck & Co., Inc. was engaged to assist in the marketing of the common stock. For their services, Ryan, Beck & Co., Inc. received an administrative fee of $50,000 and a sales fee equal to 1.0% of the aggregate dollar amount of the common stock sold in the subscription and community offerings up to $100 million; and 0.75% of the aggregate dollar amount in excess of $100 million, excluding in each case shares purchased by ESSA Bank & Trust Foundation, tax qualified employee benefit plans and shares purchased by our directors, officers and employees and their immediate families. In addition, Ryan, Beck & Co., Inc. was reimbursed for expenses, including attorney fees.

The stock offering, which was completed on March 15, 2007, resulted in gross proceeds of $158.7 million, through the sale of 15,870,000 shares at a price of $10.00 per share. The Company also contributed 1,110,900 shares of its common stock to the ESSA Bank & Trust Foundation and $1.6 million in cash. Expenses related to the offering were approximately $2.8 million, including the expenses paid to Ryan, Beck & Co., Inc. No underwriting discounts, commissions or finders fees were paid in connection with the offering. Net proceeds of the offering were approximately $155.9 million prior to the contribution to ESSA Bank & Trust Foundation.

The Company lent approximately $13.6 million to the Bank s Employee Stock Ownership Plan. The Company retained approximately $64.4 million of the net proceeds of the offering prior to the contribution to ESSA Bank & Trust Foundation, and the remainder of the net proceeds was contributed to the Bank. The offering proceeds have been invested in short-term investments, investment-grade debt obligations, mortgage-backed securities debt and in securities issued by the United States government and United States government-sponsored agencies or entities. Approximately $29.5 million of the net proceeds was used to pay down short term debt at the Bank. On a longer-term basis, the Company anticipates deploying a portion of the offering proceeds to finance the acquisition of financial institutions, branches or other financial service companies and fund new loans, although no assurance can be given that the Company will be able to effectively deploy the offering proceeds.

(c) There were no issuer repurchases of securities during the period covered by this Report.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

During the period covered by this report, the Company did not submit any matters to the vote of security holders.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The following exhibits are either filed as part of this report or are incorporated herein by reference:

3.1 Charter of ESSA Bancorp, Inc. *

3.2 Bylaws of ESSA Bancorp, Inc. *

4 Form of Common Stock Certificate of ESSA Bancorp, Inc.*

10.1 Form of Employee Stock Ownership Plan*

10.2 Form of Employment Agreement for Chief Executive Officer*

10.3 Form of Employment Agreement for Executive Officers*

10.4 Form of Change in Control Agreement*

10.5 [Reserved]

10.6 Supplemental Retirement Plan for Gary S. Olson*

10.7 Supplemental Retirement Plan for Robert S. Howes, Jr.*

10.8 Supplemental Retirement Plan for Diane K. Reimer*

10.9 Supplemental Retirement Plan for Thomas J. Grayuski*

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

* Filed as exhibits to the Company s Registration Statement on Form S-1, and any amendments thereto, with the Securities and Exchange Commission (Registration No. 333-139157).

Table of Contents

SIGNATURES

Pursuant to the requirements 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.
Date: May 14, 2007	/s/ Gary S. Olson Gary S. Olson President and Chief Executive Officer
Date: May 14, 2007	/s/ Allan A. Muto Allan A. Muto Executive Vice President and Chief Financial Officer

20