ESSA Bancorp, Inc.
Form S-1
December 07, 2006
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As filed with the Securities and Exchange Commission on December 7, 2006

Registration No. 333-________

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ESSA BANCORP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania	**6712**	**Being applied for**
(State or Other Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

200 Palmer Street

Stroudsburg, Pennsylvania 18360

(570) 421-0531

(Address, Including Zip Code, and Telephone Number, Including Area Code, of

Registrant s Principal Executive Offices)

Gary S. Olson

200 Palmer Street

Stroudsburg, Pennsylvania 18360

(570) 421-0531

(Address, Including Zip Code, and Telephone Number, Including Area Code, of

Agent for Service)

Copies to:

John J. Gorman, Esq.

Marc P. Levy, Esq.

Luse Gorman Pomerenk & Schick, P.C.

5335 Wisconsin Avenue, N.W., Suite 400

Washington, D.C. 20015

(202) 274-2000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: x

If this Form is filed to register additional shares for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

If the delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: ¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Amount to be registered**	**Proposed maximum offering price per share**	**Proposed maximum aggregate offering price**	**Amount of registration fee**
Common Stock, $0.01 par value per share	15,565,825 shares (1)	$10.00	$155,658,250(2)	$16,656
Participation Interests	431,693 interests			(3)

(1) Includes shares to be issued to the ESSA Bank & Trust Foundation, a private foundation.

(2) Estimated solely for the purpose of calculating the registration fee.

(3) The securities of ESSA Bancorp, Inc. to be purchased by the ESSA Bank & Trust 401(k) Plan are included in the amount shown for common stock. However, pursuant to Rule 457(h) of the Securities Act of 1933, as amended, no separate fee is required for the

participation interests. Pursuant to such rule, the amount being registered has been calculated on the basis of the number of shares of common stock that may be purchased with the current assets of such plan.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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PROSPECTUS

ESSA BANCORP, INC.

(Proposed Holding Company for ESSA Bank & Trust)

Up to 12,650,000 Shares of Common Stock

ESSA Bancorp, Inc., a Pennsylvania corporation, is offering shares of common stock for sale in connection with the conversion of ESSA Bank & Trust, a Pennsylvania-chartered savings association, from the mutual to the stock form of organization. All shares of common stock are being offered for sale at a price of $10.00 per share. Shares of our common stock have been approved for trading on the Nasdaq Global Market under the symbol ESSA. There is currently no public market for the shares of our common stock. We also intend to contribute up to 7.0% of the shares of common stock of ESSA Bancorp, Inc. that will be sold in the offering, and up to $1.5 million in cash, to a charitable foundation established by ESSA Bank & Trust.

We are offering up to 12,650,000 shares of common stock for sale on a best efforts basis. We may sell up to 14,547,500 shares of common stock because of demand for the shares, changes in market conditions or regulatory considerations without resoliciting subscribers. We must sell a minimum of 9,350,000 shares in order to complete the offering.

We are offering the shares of common stock in a subscription offering in the following descending order of priority:

First, to depositors of ESSA Bank & Trust with aggregate account balances of at least $50 as of the close of business on April 30, 2005.

Second, to ESSA Bank & Trust s tax-qualified employee benefit plans.

Third, to depositors of ESSA Bank & Trust with aggregate account balances of at least $50 as of the close of business on _____________.

Fourth, to depositors of ESSA Bank & Trust as of ____________ and to borrowers of ESSA Bank & Trust as of ___________ whose borrowings remained outstanding as of _________________.

Shares of common stock not purchased in the subscription offering may be offered for sale to the general public in a community offering. We also may offer for sale shares of common stock not purchased in the subscription offering or community offering through a syndicated community offering managed by Ryan Beck & Co., Inc.

The minimum number of shares of common stock you may order is 25 shares. The maximum number of shares of common stock that can be ordered through a single qualifying account is 35,000 shares. The offering is expected to expire at 12:00 Noon, Eastern time, on ________. We may extend this expiration date without notice to you until _________, unless the Office of Thrift Supervision approves a later date, which may not be beyond ____________. Once submitted, orders are irrevocable unless the offering is terminated or is extended beyond __________, or the number of shares of common stock to be sold is increased to more than 14,547,500 shares or decreased to less than 9,350,000 shares. If the offering is extended beyond ___________, or if the number of shares of common stock to be sold is increased to more than 14,547,500 shares or decreased to less than 9,350,000 shares, we will resolicit subscribers, giving them an opportunity to change or cancel their orders. Funds received during the offering will be held in a segregated account at ESSA Bank & Trust and will earn interest at our passbook savings rate, which is currently __%.

Ryan Beck & Co., Inc. will assist us in selling shares of our common stock on a best efforts basis. Ryan Beck & Co., Inc. is not required to purchase any shares of the common stock that are being offered for sale. Purchasers will not pay a commission to purchase shares of common stock in the offering.

This investment involves a degree of risk, including the possible loss of your investment.

Please read Risk Factors beginning on page 18.

TERMS OF THE OFFERING

Price: $10.00 per Share

	Minimum	Maximum	Adjusted Maximum
Number of shares	9,350,000	12,650,000	14,547,500
Gross offering proceeds	$ 93,500,000	$ 126,500,000	$ 145,475,000
Estimated offering expenses(1)	$ 2,017,000	$ 2,290,000	$ 2,420,000
Estimated net proceeds	$ 91,483,000	$ 124,210,000	$ 143,055,000
Estimated net proceeds per share	$ 9.78	$ 9.82	$ 9.83

(1) Includes selling agent fees and expenses. See The Conversion-Marketing and Distribution; Compensation for a discussion of Ryan Beck & Co., Inc. s compensation for this offering.

These securities are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Neither the Securities and Exchange Commission, the Office of Thrift Supervision, the Pennsylvania Department of Banking nor any state securities regulator has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

For assistance, please call the Stock Information Center, toll free, at ( ) ___-____.

Ryan Beck & Co., Inc. **[LOGO]**

The date of this prospectus is ___________.

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Prospectus Supplement

Interests in

ESSA BANK & TRUST 401(k) PLAN

Offering of Participation Interests in up to __________ Shares of

ESSA BANCORP, INC.

Common Stock

In connection with the adoption of a stock issuance plan, ESSA Bancorp, Inc. is allowing participants in the ESSA Bank & Trust 401(k) Savings Plan (the Plan) to invest all or a portion of their accounts in a unitized account which will be invested in the common stock of ESSA Bancorp, Inc. (the Common Stock). ESSA Bancorp, Inc. has registered a number of participation interests through the Plan in order to enable the trustee of the Plan to purchase up to ____________ shares of Common Stock, based upon the value of the Plan assets at ____________ __, 200_, and assuming a purchase price of $10.00 per share. This prospectus supplement relates to the initial election of Plan participants to direct the trustee of the Plan to invest all or a portion of their Plan accounts in the unitized ESSA Bancorp, Inc. Stock Account at the time of the stock offering. After the stock offering, participants will continue to be able to invest in the Stock Account.

ESSA Bancorp, Inc. s prospectus, dated______________ , is attached to this prospectus supplement. It contains detailed information regarding the stock offering of ESSA Bancorp, Inc. common stock and the financial condition, results of operations and business of ESSA Bank & Trust. This prospectus supplement provides information regarding the Plan. You should read this prospectus supplement together with the prospectus to which it is attached and keep both for future reference.

For a discussion of investment risks that you should consider, see Risk Factors beginning on page 18 of the prospectus.

The interests in the Plan and the offering of the Common Stock have not been approved or disapproved by the Office of Thrift Supervision, the Securities and Exchange Commission or any other federal or state agency. Any representation to the contrary is a criminal offense.

The securities offered in this prospectus supplement and in the prospectus are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

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This prospectus supplement may be used only in connection with offers and sales by ESSA Bancorp, Inc., in the stock offering, of stock units representing an interest in shares of Common Stock in the ESSA Bancorp, Inc. Stock Account of the Plan. No one may use this prospectus supplement to reoffer or resell interests in shares of Common Stock acquired through the Plan.

You should rely only on the information contained in this prospectus supplement and the attached prospectus. ESSA Bancorp, Inc., ESSA Bank & Trust and the Plan have not authorized anyone to provide you with information that is different.

This prospectus supplement does not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make an offer or solicitation in that jurisdiction. Neither the delivery of this prospectus supplement and the prospectus nor any sale of Common Stock or stock units representing an ownership interest in Common Stock shall under any circumstances imply that there has been no change in the affairs of ESSA Bank & Trust or the Plan since the date of this prospectus supplement, or that the information contained in this prospectus supplement or incorporated by reference is correct as of any time after the date of this prospectus supplement.

The date of this prospectus supplement is ____________________.

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THE OFFERING

Securities Offered

ESSA Bancorp, Inc. is offering stock units in the ESSA Bank & Trust 401(k) Plan (the Plan). The stock units represent indirect ownership of ESSA Bancorp, Inc. s common stock through the ESSA Bancorp, Inc. Stock Account being established under the Plan in connection with the stock offering. Given the purchase price of $10 per share in the stock offering, the Plan may acquire up to _____ shares of ESSA Bancorp, Inc. Common Stock in the stock offering. Only employees of ESSA Bank & Trust may become participants in the Plan and only participants may purchase stock units in the ESSA Bancorp, Inc. Stock Account. Your investment in stock units in connection with the stock offering through the ESSA Bancorp, Inc. Stock Account is subject to the purchase priorities contained in the ESSA Bancorp, Inc. Stock Issuance Plan (the Stock Issuance Plan).

Information with regard to the Plan is contained in this prospectus supplement and information with regard to the financial condition, results of operations and business of ESSA Bancorp, Inc. is contained in the accompanying prospectus. The address of the principal executive office of ESSA Bancorp, Inc. and ESSA Bank & Trust is 200 Palmer Street, Stroudsburg, Pennsylvania 18360.

Purchase Priorities

In connection with the stock offering, you may elect to transfer all or part of your account balances in the Plan to the ESSA Bancorp, Inc. Stock Account, to be used to purchase stock units representing an ownership interest in the Common Stock issued in the stock offering. The manner in which you make this election and transfer is discussed below under Election to Purchase Stock Units in the Stock Offering. All Plan participants are eligible to direct a transfer of Accounts to the ESSA Bancorp, Inc. Stock Account. However, such directions are subject to the purchase priorities in the Stock Issuance Plan, which contemplates a subscription offering and, possibly, a community offering. Subscription offering categories, in descending order of purchase priorities are as follows: (1) eligible account holders; (2) tax-qualified employee benefit plans of ESSA Bank & Trust, including the employee stock ownership plan which we adopted; (3) supplemental eligible account holders; and (4) other depositors. An eligible account holder is a depositor whose deposit account(s) totaled $50.00 or more on April 30, 2005. A supplemental eligible account holder is a depositor whose deposit account(s) totaled $50.00 or more on February __, 2007. Other depositors are depositors of the Bank as of __________. If you fall into subscription offering categories (1), (3) or (4), you have subscription rights to subscribe for stock in the subscription offering. You may do so through the Plan and/or outside of the

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Plan. Stock units can be subscribed for through the Plan by using Accounts in the Plan to pay for them. You may also be able to purchase stock units in the subscription offering through the Plan even though you are ineligible to purchase through subscription offering categories (1), (3) or (4) since ESSA Bancorp, Inc. has determined to allow the Plan to purchase stock through subscription offering category (2), reserved for its tax-qualified employee plans.

If you choose not to direct the investment of your account balances towards the purchase of any stock units through the ESSA Bancorp, Inc. Stock Account in connection with the offering, your account balances will remain in the investment Accounts of the Plan as previously directed by you.

If you are eligible to subscribe for stock in the subscription offering through subscription categories (1), (3), or (4), you will receive a separate mailing, including a Stock Order Form. You may subscribe for stock outside of the Plan by completing the Stock Order Form and submitting it to the Stock Information Center.

Allocation of Units

The trustee of the ESSA Bancorp, Inc. Stock Account will subscribe for Common Stock in the stock offering in accordance with your directions. No later than the end of the offering period, __________ 2007, the investment amount that you have elected for the purchase of stock units in the ESSA Bancorp, Inc. Stock Account in connection with the stock offering will be removed from the various 401(k) plan investment Accounts and transferred to the ESSA Bancorp, Inc. Stock Account, pending the consummation of the stock offering. After__________, 2007 we will determine whether all or any portion of your order will be filled (if the offering is oversubscribed, you may not receive any or all of your order, depending on your purchase priority, as described above, and whether the Plan will purchase through category 2). The amount that can be used toward your order will be applied to the purchase of stock units.

In the event the offering is oversubscribed, *i.e.*, there are more orders for Common Stock than shares available for sale in the offering, and the trustee is unable to use the full amount allocated by you to purchase interests in Common Stock in the offering, the amount that cannot be invested in Common Stock will remain in cash in the ESSA Bancorp Stock Account until you reallocate it to other 401(k) plan investments. The prospectus describes the allocation procedures in the event of an oversubscription. See The Conversion section in the prospectus.

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Composition of and Purpose of Stock Units	The ESSA Bancorp, Inc. Stock Account, which is being established in the Plan, will invest in the Common Stock of ESSA Bancorp, Inc. Following the stock offering, the ESSA Bancorp, Inc. Stock Account will maintain a cash component for liquidity purposes. Liquidity is required in order to facilitate daily transactions such as investment transfers or distributions from the ESSA Bancorp, Inc. Stock Account. For purchases in the offering, there will be no cash component. A stock unit will be valued at $10. After the offering, newly issued units will consist of a percentage interest in both the Common Stock and cash held in the ESSA Bancorp, Inc. Stock Account. Unit values (similar to the stock s share price) and the number of units (similar to number of shares) will be used to communicate the dollar value of a participant s account. Following the stock offering, each day, the stock unit value of the ESSA Bancorp, Inc. Stock Account will be determined by dividing the total market value of the Account at the end of the day by the total number of units held in the Account by all participants as of the previous day s end. The change in stock unit value reflects the day s change in stock price, any cash dividends accrued and the interest earned on the cash component of the Account, less any investment management fees. The market value and unit holdings of your account in the ESSA Bancorp, Inc. Stock Account will be reported to you on your quarterly statements.
Value of Plan Assets	As of ___________, the market value of the assets of the Plan eligible to purchase Common Stock in the offering was approximately $_________________.
Election to Purchase Stock Units in the Stock Offering	In connection with the stock offering, the Plan will permit you to direct the trustee to transfer all or part of the funds which represent your current beneficial interest in the assets of the Plan to the ESSA Bancorp, Inc. Stock Account. The amount that you wish to invest in stock units will be transferred from the various 401(k) investment alternatives to the ESSA Bancorp, Inc. Stock Account pursuant to your direction on the Special Election Form. The trustee of the Plan will subscribe for ESSA Bancorp, Inc. Common Stock offered for sale in connection with the stock offering, in accordance with each participant s direction. In order to purchase stock units representing an ownership interest in Common Stock in the stock offering through the Plan, you must purchase stock units representing an ownership interest in at least 25 shares in the offering through the Plan. The prospectus describes maximum purchase limits for investors in the stock offering. The trustee will pay $10.00 per stock unit, which will be the same price paid by all other persons who purchase shares in the subscription and community offerings.

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How to Order Stock in the Offering	Enclosed is a Special Election Form on which you can elect to transfer all or a portion of your account balance in the Plan to the ESSA Bancorp, Inc. Stock Account for the purchase of stock units in connection with the stock offering, provided that you purchase stock units representing an ownership interest in at least 25 shares through the Plan. If you wish to use all or part of your account balance in the Plan to purchase Common Stock issued in the stock offering, you should indicate that decision on the Special Election Form. In order to direct the Trustee to purchase stock units in the offering, you may complete a Special Election Form indicating the dollar amount that you wish to have transferred from the various 401(k) investment Accounts into the ESSA Bancorp, Inc. Stock Account. Please note that you need not invest all the amounts that you have invested in the 401(k) plan in the ESSA Bancorp, Inc. Stock Account. You will file the Special Election Form with Thomas J. Grayuski, at ESSA Bank & Trust, 200 Palmer Street, Stroudsburg, Pennsylvania 18360. You must file the Special Election Form no later than 5:00 p.m., local time, on _______________. If you do not wish to make an election, you should check Box E on the reverse side of the Special Election Form and return the form to Thomas J. Grayuski as indicated above.
Election Form Deadline	If you wish to purchase stock units with your Plan account balances, you must return your Special Election Form to Thomas J. Grayuski, at ESSA Bank & Trust, 200 Palmer Street, Stroudsburg, Pennsylvania 18360, **to be received no later than 5:00 p.m., local time, on __________________**. You may return your Special Election Form by hand delivery, mail or by faxing it to (570) 476-6258, so long as it is returned by the time specified. This return date is earlier than the deadline for purchases made outside of the Plan. In order to purchase shares outside the Plan, you must complete and return a Stock Order Form along with payment by check or by authorizing withdrawal from your ESSA Bank & Trust deposit account(s) to the Stock Information Center no later than 12:00 p.m., local time, on __________________.
Irrevocability of Transfer Direction	You may not change your election to transfer amounts to the ESSA Bancorp, Inc. Stock Account in connection with the stock offering. Your election is irrevocable. You will, however, continue to have the ability to transfer amounts not directed towards the purchase of stock units among all of the other investment Accounts on a daily basis.
Future Direction to Purchase Common Stock	You will be able to purchase stock units after the offering through your investment in the ESSA Bancorp, Inc. Stock Account. You may direct that your future contributions or your account balance in the Plan be transferred to the ESSA Bancorp, Inc. Stock Account. After the offering, to the extent that shares are available, the trustee of the Plan will acquire Common Stock at your election in open

	market transactions at the prevailing price. You may change your investment allocation on a daily basis. Special restrictions may apply to transfers directed to and from the ESSA Bancorp, Inc. Stock Account by the participants who are subject to the provisions of section 16(b) of the Securities Exchange Act of 1934, as amended, relating to the purchase and sale of securities by officers, directors and principal shareholders of ESSA Bancorp, Inc.
Voting Rights of Common Stock	The Plan provides that, after the offering, you may direct the trustee how to vote any shares of ESSA Bancorp, Inc. Common Stock held by the ESSA Bancorp, Inc. Stock Account, and the interest in such shares that is credited to your account. If the trustee does not receive your voting instructions, the Plan administrator will exercise these rights as it determines in its discretion and will direct the trustee accordingly. All voting instructions will be kept confidential.

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DESCRIPTION OF THE PLAN

Introduction

ESSA Bank & Trust adopted the ESSA Bank & Trust 401(k) Plan effective December 1, 1985 (the Plan). The Plan is a tax-qualified plan, with a cash or deferred compensation feature, established in accordance with the requirements under Section 401(a) and Section 401(k) of the Internal Revenue Code of 1986, as amended (the Code).

ESSA Bank & Trust intends that the Plan, in operation, will comply with the requirements under Section 401(a) and Section 401(k) of the Code. ESSA Bank & Trust will adopt any amendments to the Plan that may be necessary to ensure the continuing qualified status of the Plan under the Code and applicable Treasury Regulations.

Employee Retirement Income Security Act (ERISA). The Plan is an individual account plan other than a money purchase pension plan within the meaning of ERISA. As such, the Plan is subject to all of the provisions of Title I (Protection of Employee Benefit Rights) and Title II (Amendments to the Code Relating to Retirement Plans) of ERISA, except to the funding requirements contained in Part 3 of Title I of ERISA which, by their terms, do not apply to an individual account plan (other than a money purchase plan). The Plan is not subject to Title IV (Plan Termination Insurance) of ERISA. The funding requirements contained in Title IV of ERISA are not applicable to participants or beneficiaries under the Plan.

Reference to Full Text of Plan. The following portions of this prospectus supplement summarize certain provisions of the Plan. They are not complete and are qualified in their entirety by the full text of the Plan. Copies of the Plan are available to all employees by filing a request with the Plan Administrator at ESSA Bank & Trust, 200 Palmer Street, Stroudsburg, Pennsylvania 18360. You are urged to read carefully the full text of the Plan.

Eligibility and Participation

Employees who are at least 21 years old and have completed at least one year of employment with ESSA Bank & Trust are eligible to enter the Plan (effective January 1, 2007) on the January 1 or July 1 coincident with or next following the date on which the employee meets the age and year of employment requirements (a year of employment includes the performance of at least 1,000 hours of employment). Prior to January 1, 2007, employees were eligible to enter the Plan on the December 1 or June 1 coincident with or next following the date on which the employee meets the age and year of employment requirements. Employees covered by a collective bargaining agreement and nonresident aliens who receive no income from sources within the United States are not eligible to participate in the Plan. Effective January 1, 2007, the Plan year is the calendar year (the Plan Year). There was a short Plan Year from December 1, 2006 to December 31, 2006 and before December 1, 2006, the Plan Year was from December 1 to November 30.

As of __________, there were approximately ______ employees and former employees eligible to participate in the Plan.

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Contributions under the Plan

401(k) Plan Contributions. You are permitted to defer on a pre-tax basis either a flat dollar amount or between 1% and 100% of your compensation (expressed in terms of whole percentages) for each payroll period, subject to certain restrictions imposed by the Internal Revenue Code, and to have that amount contributed to the Plan on your behalf. For purposes of the Plan, compensation means your compensation subject to income tax withholding at the source, as reported on your Form W-2, excluding bonuses and commissions, plus deferred income attributable to any compensation reduction agreement in connection with the Plan or compensation reduction in connection with a Section 125 plan or Internal Revenue Code Section 132(f) benefit. In 2007, the annual compensation of each participant taken into account under the Plan is limited to $225,000. (Limits established by the Internal Revenue Service are subject to increase pursuant to an annual cost-of-living adjustment, as permitted by the Internal Revenue Code). You may elect to modify the amount contributed to the Plan as of any January 1 or July 1 by filing a new elective deferral agreement with the Plan administrator.

Employer Matching Contributions. The Plan is intended to be a safe harbor 401(k) Plan with respect to automatically satisfying certain IRS rules with respect to nondiscrimination in the amount of contributions for highly compensated employees compared to nonhighly compensated employees. Accordingly, ESSA Bank & Trust will make matching contributions to the Plan in an amount equal to the sum of 100% of the Participant s annual elective deferrals that do not exceed 3% of the Participant s Compensation, plus 50% of the amount of the Participant s annual elective deferrals that do not exceed 5% of the Participant s Compensation. If you stop making elective deferrals for any period, ESSA Bank & Trust will also stop making matching contributions for the same period.

Limitations on Contributions

Limitations on Employee Salary Deferrals. For the Plan Year beginning January 1, 2007, the amount of your before-tax contributions may not exceed $15,500 per calendar year. This amount may be adjusted periodically by law, based on changes in the cost of living. In addition, if you are age 50 or older in 2007, you will be able to make a catch-up contribution of up to $5,000, in addition to the $15,500 limit. The catch-up contribution limit may be adjusted periodically by law, based on changes in the cost of living. Contributions in excess of these limits, as applicable to you, are known as excess deferrals. If you defer amounts in excess of these limitations, as applicable to you, your gross income for federal income tax purposes will include the excess in the year of the deferral. In addition, unless the excess deferral is distributed before April 15 of the following year, it will be taxed again in the year distributed. Income on the excess deferral distributed by April 15 of the immediately succeeding year will be treated, for federal income tax purposes, as earned and received by you in the tax year in which the contribution is made.

Limitation on Plan Contributions for Highly Compensated Employees. Special provisions of the Internal Revenue Code limit the amount of elective deferrals and employer non-matching contributions that may be made to the Plan in any year on behalf of highly compensated employees, in relation to the amount of elective deferrals and employer non-matching contributions made by or on behalf of all other employees eligible to participate in the Plan.

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A highly compensated employee includes any employee who (1) was a 5% owner of ESSA Bancorp, Inc. at any time during the current or preceding year, or (2) had compensation for the preceding year of more than $100,000. The dollar amounts in the foregoing sentence may be adjusted annually to reflect increases in the cost of living. If these limitations are exceeded, the level of deferrals by highly compensated employees may have to be adjusted.

Benefits Under the Plan

Vesting. At all times, you have a fully vested, nonforfeitable interest in the elective deferrals you have made under the Plan. Any employer contributions credited to your account before December 1, 2004 are subject to a 6-year graded vesting schedule pursuant to which such amounts vest in 20% increments after each completed year of service, beginning after the completion of the second year of service, until a participant becomes 100% vested upon completion of 6 years of service. Employer contributions to your account on and after December 1, 2004 are fully vested because the Plan is a safe harbor 401(k) plan as of that date. In addition, you will also become 100% vested in the employer contributions and earnings credited to your account upon your death, disability or attainment of age 65.

Withdrawals and Distributions from the Plan

In-service withdrawals from your 401(k) account are not permitted under the Plan until you attain age 70 $^{1}/2$. Hardship withdrawals and loans are not permitted under the Plan.

Withdrawal upon Termination of Employment. You may make withdrawals from your accounts at any time after you terminate employment. If your vested account balance as of the date of your termination is $1,000 or less, distribution will be made in a lump sum. If your accounts are between $1,000 and $5,000 and you have not made any payment election, the Plan administrator will pay the distribution in a direct rollover to an individual retirement plan designated by the Plan administrator. If your accounts exceed $5,000 upon your termination of employment, payment will be deferred until you reach age 65 unless you elect an optional form of payment such as a lump sum payment or partial withdrawal (subject to a mandatory 20% income tax withholding), a rollover to an individual retirement account or to another employer s plan (if permitted by that plan).

Distribution due to Disability, Death or Retirement. If your termination of employment is due to normal or postponed retirement, death or disability and your accounts exceed $5,000, distribution will be made in a lump sum payment upon your attainment of age 65 (or, if earlier, date of disability) unless you elect to defer distribution to a postponed retirement date or unless you elect an optional form of payment such as a lump sum payment or partial withdrawal (subject to a mandatory 20% income tax withholding), a rollover to an individual retirement account or to another employer s plan (if permitted by that plan).

Investment of Contributions and Account Balances

All amounts credited to your accounts under the Plan are either held in insurance products or in the Plan trust (the Trust) which is administered by the trustee appointed by ESSA Bank & Trust s Board of Directors.

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Prior to the effective date of the offering, you were provided the opportunity to direct the investment of your account into one or more of the following options:

Premier Money Market (Babson Capital) MKSXX

Premier Core Bond (Babson Capital) MCBDX

Premier High Yield (Babson Capital) DLHYX

Premier Strategic Income (OFI) MISLX

Conservative Journey

Moderate Journey

Aggressive Journey

Destination Retirement Income MDRLX

Destination Retirement 2020 MRTLX

Destination Retirement 2030 MYRLX

Destination Retirement 2040 MRFLX

Premier Core Value Eq (Babson/AllncBer/OFI Inst)

Select Large Cap Value (Davis) MLVSX

Select Indexed Equity (Northern Trust) MMIEX

Spectrum Growth (T. Rowe Price) PRSGX

Premier Capital Appreciation (OFI) MCASX

Growth (OFI) OGRYX

Ultra (American Century) TWCUX

Premier Small Co. Opportunities II (OFI Inst) MSCDX

Premier Small Cap Value (OFI Institutional) DSMVX

Select Mid Cap Growth II (T. Rowe Price) MMELX

New Horizons (T. Rowe Price) PRNHX

Premier International Equity (OFI) MIEDX

Global Opportunities (OFI) OGIYX

Select Focused Value (Harris/C&B) MFVSX

In connection with the offering, the Plan now provides that in addition to the Accounts specified above, you may direct the trustee, or its representative, to invest all or a portion of your account in the ESSA Bancorp, Inc. Stock Account. You may elect to have both past contributions and earnings, as well as future contributions to your account invested among the Accounts listed above. If you fail to provide an effective investment direction in connection with the stock offering, your contributions will be invested in the various investment alternatives that you designated until such time as you change your investment directions. You may apply different investment instructions to amounts already accumulated as opposed to future contributions. You may change your investment directions at any time by telephone or electronic medium.

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Performance History

The following table provides performance data with respect to the investment Accounts available under the Plan through November 30, 2006:

PERFORMANCE

AS OF NOVEMBER 30, 2006

Stock Accounts	***1 Month***	***1 Year***	***3 Year***	***5 Year***	***10 Year***	***SINCE INCEPTION***
Premier Money Market (Babson Capital)	**0.40%**	**4.54%**	**2.62%**	**2.02%**	**3.66%**	**6.63%**
Premier Core Bond (Babson Capital)	**1.09%**	**5.40%**	**3.99%**	**4.86%**	**5.82%**	**8.01%**
Premier High Yield (Babson Capital)	**1.28%**	**10.73%**	**8.63%**	**11.01%**	**N/A**	**8.95%**
Premier Strategic Income (OFI)	**1.36%**	**7.47%**	**7.02%**	**8.80%**	**6.49%**	**8.43%**
Conservative Journey	**1.33%**	**7.61%**	**6.30%**	**5.54%**	**5.98%**	**7.69%**
Moderate Journey	**1.80%**	**10.10%**	**9.22%**	**6.87%**	**7.22%**	**9.25%**
Aggressive Journey	**2.14%**	**11.16%**	**11.12%**	**7.33%**	**8.42%**	**10.62%**
Destination Retirement Income	**1.23%**	**6.33%**	**5.48%**	**4.90%**	**5.70%**	**8.16%**
Destination Retirement 2020	**1.58%**	**8.32%**	**8.50%**	**6.28%**	**5.68%**	**8.20%**
Destination Retirement 2030	**1.90%**	**9.86%**	**10.48%**	**6.77%**	**5.35%**	**8.47%**
Destination Retirement 2040	**2.09%**	**10.99%**	**11.75%**	**7.39%**	**5.68%**	**9.21%**
Premier Core Value Eq (Babson/AllncBer/OFI Inst)	**2.30%**	**16.66%**	**14.27%**	**8.55%**	**6.45%**	**10.08%**
Select Large Cap Value (Davis)	**2.08%**	**13.29%**	**13.25%**	**8.90%**	**10.14%**	**14.39%**
Select Indexed Equity (Northern Trust)	**1.84%**	**13.69%**	**11.34%**	**5.61%**	**7.58%**	**10.34%**
Spectrum Growth (T. Rowe Price)	**2.54%**	**15.36%**	**14.61%**	**9.59%**	**8.44%**	**10.73%**
Premier Capital Appreciation (OFI)	**2.82%**	**7.99%**	**8.17%**	**3.47%**	**8.40%**	**14.11%**
Growth (OFI)	**3.20%**	**5.14%**	**7.46%**	**1.44%**	**3.20%**	**13.73%**
Ultra (American Century)	**1.42%**	**-5.15%**	**3.20%**	**1.19%**	**4.49%**	**12.28%**
Premier Small Co. Opportunities II (OFI Inst)	**2.80%**	**7.69%**	**8.75%**	**9.46%**	**8.25%**	**11.43%**
Premier Small Cap Value (OFI Institutional)	**2.07%**	**14.26%**	**11.94%**	**13.87%**	**11.38%**	**12.56%**

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Select Mid Cap Growth II (T. Rowe Price)	**3.78%**	**9.53%**	**13.56%**	**10.37%**	**11.56%**	**15.63%**
New Horizons (T. Rowe Price)	**2.23%**	**7.31%**	**12.43%**	**10.45%**	**8.30%**	**11.00%**
Premier International Equity (OFI)	**5.36%**	**31.77%**	**21.00%**	**12.22%**	**9.09%**	**10.39%**
Global Opportunities (OFI)	**3.27%**	**21.35%**	**22.20%**	**16.51%**	**16.00%**	**14.23%**
Select Focused Value (Harris/C&B)	**2.55%**	**17.09%**	**12.47%**	**13.59%**	**16.62%**	**18.60%**

The following is a description of each of the Plan s investment options (excerpted from each option s own description):

Premier Money Market (Babson Capital) MKSXX. The fund seeks to maximize current income consistent with liquidity and preservation of capital. The fund normally invests in high-quality debt securities with a remaining maturity not exceeding 397 days, including corporate debt securities and U.S. government obligations. It seeks to maintain, but does not guarantee, a stable net asset value of $1.00 per share. The fund invests 95% of assets in Tier 1 securities and no more than 5% of net assets in Tier 2 securities. The former name of the fund is MassMutual Institutional Money Market. The fund is a taxable money market fund. Taxable money market funds invest in short-term money market securities in order to provide a level of current income that is consistent with the preservation of capital.

Premier Core Bond (Babson Capital) MCBDX. The fund seeks a high total rate of return consistent with prudent investment risk and preservation of capital. The fund invests at least 80% of assets in investment grade fixed-income securities which include U.S. dollar-denominated corporate obligations, securities issued or guaranteed by the U.S. government or its agencies, U.S. dollar-denominated bonds of foreign issuers, and mortgage-backed and other asset-backed securities. It may also invest up to 10% of assets in below investment grade debt securities. The fund s former name is MassMutual Core Bond Fund. The fund is an intermediate-term bond fund. Intermediate-term bond funds have average durations that are greater than 3.5 years and less than six years. Most of the funds rotate among a variety of sectors in the bond market, based upon which appear to offer better values. Whatever types of bonds they hold, these funds are less sensitive to interest rates, and therefore less volatile, than funds that have longer durations.

Premier High Yield (Babson Capital) DLHYX. The fund seeks a high level of total return, with an emphasis on current income. The fund normally invests at least 80% of assets in lower-rated fixed-income securities. It may also invest in convertible securities, preferred stocks, warrants, bank borrowings, and other fixed-income securities. The fund has an average dollar-weighted portfolio maturity ranging from 4 to 10 years. The fund s former name is DLB High Yield Fund. The fund is a high-yield bond fund. High-yield bond funds concentrate on lower-quality bonds. Because such bonds are riskier than those of higher-quality companies, they offer higher coupons to attract investors. Therefore, these funds generally offer higher yields than other types of funds but they are also more vulnerable to economic and credit risk. While defaults have been rare lately, these funds can suffer losses from recessions and bankruptcies.

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Premier Strategic Income (OFI) MISLX. The fund seeks high current income. The fund invests mainly in debt securities of three market sectors: foreign governments and companies, U.S. government securities, and lower-rated high-yield securities of U.S. and foreign companies. Debt securities include foreign government and U.S. government bonds and notes, CMOs, other mortgage-related securities and asset-backed securities, participation interests in loans, structured notes, lower-grade, high-yield domestic and foreign corporate debt obligations, and zero-coupon securities. The fund is a multisector bond fund. Multisector bond funds are generally more diversified than other types of bond funds. These funds typically divide their assets among U.S. government bonds, foreign government bonds, foreign corporate bonds, and domestic corporate bonds, including high-yield issues. Some of these funds go even further and invest in municipal bonds and exotic mortgage-backed securities. By spreading assets across many different markets, these funds seek higher yields without taking on undue risk.

Conservative Journey. The fund limits exposure to risk while recognizing the importance of equity investments as a hedge against inflation. The portfolio consists of equity, fixed-income and cash investments. The mix of investments should achieve growth, stability and diversification. The fund is a conservative-allocation fund. Conservative-allocation funds seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. These funds tend to hold smaller positions in stocks than moderate-allocation funds. These funds typically have 20% to 50% of assets in equities and 50% to 80% of assets in fixed income and cash.

Moderate Journey. The fund provides both long-term growth and short-term stability. The portfolio is tilted toward equities but also includes fixed-income and cash investments to take advantage of a variety of markets. This mix offers good growth potential. The fund is a moderate-allocation fund. Moderate-allocation funds seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. These funds tend to hold larger positions in stocks than conservative-allocation funds. These funds typically have 50% to 70% of assets in equities and the remainder in fixed income and cash.

Aggressive Journey. This fund is a large-blend fund, designed for investors who can keep money invested for long periods, can tolerate market fluctuations and who desire to accumulate a substantial account balance. The fund invests in stocks but diversifies with fixed-income and cash investments. This mix offers high growth potential. Large-blend funds have portfolios that are fairly representative of the overall stock market in size, growth rates, and price. They tend to invest across the spectrum of U.S. industries and, owing to their broad exposure, the funds returns are often similar to those of the S&P 500 index.

Destination Retirement Income MDRLX. The fund seeks to achieve high current income and, as a secondary objective, capital appreciation. The fund primarily invests in a combination of MassMutual equity, fixed income, and money market funds, using an asset allocation strategy designed for investors already in retirement. The former name of the fund is MassMutual Destination Retirement Income. The fund is a target-date portfolio. Target-date portfolios provide diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind (in this case, the years 2000-2014) for retirement or another goal. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. These portfolios get more conservative as the goal date approaches by investing more in bonds and cash. Investment managers structure these portfolios differently; two funds with the same goal year may have different allocations to equities and therefore different levels of return and risk.

Destination Retirement 2020 MRTLX**.** The fund seeks to achieve as high a total rate of return on an annual basis as is considered consistent with prudent investment risk and the preservation of capital. The fund primarily invests in a combination of MassMutual equity, fixed income, and money market funds, using an asset allocation strategy designed for investors expecting to retire around the year 2020. It allocates assets among underlying MassMutual Select funds and MassMutual Premier funds. The former name of the fund is MassMutual Destination Retirement 2020. The fund is a target-date portfolio. Target-date portfolios provide diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind (in this case, the years 2015-2029) for retirement or another goal. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. These portfolios get more conservative as the goal date approaches by investing more in bonds and cash. Investment managers structure these portfolios differently; two funds with the same goal year may have different allocations to equities and therefore different levels of return and risk.

Destination Retirement 2030 MYRLX. The fund seeks to achieve as high a total rate of return on an annual basis as is considered consistent with prudent investment risk and the preservation of capital. The fund primarily invests in a combination of MassMutual equity, fixed income, and money market funds, using an asset allocation strategy designed for investors expecting to retire around the year 2030. It allocates assets among underlying MassMutual Select funds and MassMutual Premier funds. The former name of the fund is MassMutual Destination Retirement 2030. The fund is a target-date portfolio. Target-date portfolios provide diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind (in this case, the years 2030+) for retirement or another goal. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. These portfolios get more conservative as the goal date approaches by investing more in bonds and cash. Investment managers structure these portfolios differently; two funds with the same goal year may have different allocations to equities and therefore different levels of return and risk.

Destination Retirement 2040 MRFLX. The fund seeks to achieve as high a total rate of return on an annual basis as is considered consistent with prudent investment risk and the preservation of capital. The fund primarily invests in a combination of MassMutual equity, fixed income, and money market funds, using an asset allocation strategy designed for investors expecting to retire around the year 2040. It allocates assets among underlying MassMutual Select funds and MassMutual Premier funds. The former name of the fund is MassMutual Destination Retirement 2040. The fund is a target-date portfolio. Target-date portfolios provide diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind (in this case, the years 2030+) for retirement or another goal. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. These portfolios get more conservative as the goal date approaches by investing more in bonds and cash. Investment managers structure these portfolios differently; two funds with the same goal year may have different allocations to equities and therefore different levels of return and risk.

Premier Core Value Eq (Babson/AllncBer/OFI Inst). The investment seeks to achieve long-term growth of capital and income by investing primarily in a diversified portfolio of equity securities of larger, well-established companies. This investment option normally invests at least 80% of its assets in stocks, securities convertible into stocks, and other securities, such as warrants and stock rights, whose value is based on stock prices. The fund is a large-value fund. Large-value funds focus on big companies that are less expensive or growing more slowly than other large-cap stocks. These funds often feature investments in energy, financial, or manufacturing sectors.

Select Large Cap Value (Davis) MLVSX. The fund seeks both capital growth and income. The fund will normally invest at least 80% of assets in common stock of companies with market capitalizations at the time of purchase of at least $5 billion. Its strategy is to select these companies for the long-term. The fund may also invest in foreign securities and use derivatives as a hedge against currency risks. The former name of the fund is MassMutual Large Cap Value. The fund is a large-blend fund. Large-blend funds have portfolios that are fairly representative of the overall stock market in size, growth rates, and price. They tend to invest across the spectrum of U.S. industries and owing to their broad exposure, the funds returns are often similar to those of the S&P 500 index.

Select Indexed Equity (Northern Trust) MMIEX. The fund seeks to approximate as closely as practicable (before fees and expenses) the capitalization-weighted total rate of return of that portion of the U.S. market for publicly-traded common stocks composed of larger-capitalized companies. The fund normally invests at least 80% of assets in the equity securities of companies that make up the S&P 500 index. It generally purchases securities in proportions that match their index weights. The fund may invest in other instruments whose performance is expected to correspond to the index and may also use derivatives. It is nondiversified. The former name of the funds is MassMutual Indexed Equity. The fund is a large-blend fund. Large-blend funds have portfolios that are fairly representative of the overall stock market in size, growth rates, and price. They tend to invest across the spectrum of U.S. industries and owing to their broad exposure, the funds returns are often similar to those of the S&P 500 index.

Spectrum Growth (T. Rowe Price) PRSGX. The investment seeks long-term capital appreciation and growth of income with current income a secondary objective. The fund normally diversifies assets widely among a set of T. Rowe Price mutual funds representing specific market segments. It normally invests in domestic and international equity funds and a money market fund. The fund is a large-blend fund. Large-blend funds have portfolios that are fairly representative of the overall stock market in size, growth rates, and price. They tend to invest across the spectrum of U.S. industries and owing to their broad exposure, the funds returns are often similar to those of the S&P 500 index.

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Premier Capital Appreciation (OFI) MCASX. The fund seeks long-term capital appreciation. The fund invests primarily in common stocks of growth companies. Such companies may be newer or established companies of any capitalization range that the sub-adviser believes may appreciate in value over the long-term. It does not expect to invest more than 35% of assets in foreign securities, although it has the ability to invest in them without limit. The fund is a large-growth fund. Large-growth funds invest in big companies that are projected to grow faster than other large-cap stocks. Most of these funds focus on companies in rapidly expanding industries.

Growth (OFI) OGRYX. The fund seeks capital appreciation. The fund invests in common stocks of established growth companies that the advisor believes have above-average earnings prospects and are undervalued. It may invest up to 25% of assets in foreign securities and up to 25% of assets in any one industry. The fund is a large-growth fund. Large-growth funds invest in big companies that are projected to grow faster than other large-cap stocks. Most of these funds focus on companies in rapidly expanding industries.

Ultra (American Century) TWCUX. The fund seeks long-term capital growth. The fund typically invests in equities selected for their appreciation potential. The majority of these securities are common stocks issued by companies that meet management s standards for earnings and revenue growth. The fund may also invest up to 5% of its assets in securities of companies that have operated continuously for three or fewer years. The fund is a large-growth fund. Large-growth funds invest in big companies that are projected to grow faster than other large-cap stocks. Most of these funds focus on companies in rapidly expanding industries.

Premier Small Co. Opportunities II (OFI Inst) MSCDX. The fund seeks long-term capital appreciation. The fund invests at least 80% of net assets in the securities of companies whose market capitalizations at the time of purchase are within the range of capitalization of companies included in the Russell 2000 index and the S&P SmallCap 600 index. It may purchase stocks offered in initial public offerings and may sell these securities without regard to how long the fund has held the securities. The former name of the fund is DLB Small Company Opportunities Fund. The fund is a small-blend fund. Small-blend funds favor firms at the smaller end of the market capitalization range, and are flexible in the types of small caps they buy. Some aim to own an array of value and growth stocks while others employ a discipline that leads to holdings with valuations and growth rates close to the small-cap averages.

Premier Small Cap Value (OFI Institutional) DSMVX. The fund seeks long-term capital appreciation. The fund normally invests at least 80% of assets in the securities of companies whose market capitalization at the time of purchase by the fund are within the range of capitalization of companies included in the Russell 2000 index. The range of capitalization of companies included in the Russell 2000 index will fluctuate as market prices increase or decrease. The former name of the fund is DLB Small Cap Value Fund. The fund is a small-blend fund. Small-blend funds favor firms at the smaller end of the market-capitalization range, and are flexible in the types of small caps they buy. Some aim to own an array of value and growth stocks while others employ a discipline that leads to holdings with valuations and growth rates close to the small-cap averages.

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Select Mid Cap Growth II (T. Rowe Price) MMELX. The fund seeks growth of capital over the long-term. The fund normally invests at lest 80% of assets in a broadly diversified portfolio of common stocks of mid-cap companies whose earnings the fund expects to grow at a faster rate than the average company. Mid-cap companies are those whose market capitalizations at the time of purchase fall within the range of companies in either the S&P MidCap 400 index or the Russell MidCap Growth index. It may also invest in other securities, including foreign securities and derivatives. The former name of the fund is MassMutual Mid Cap Growth Equity II. The fund is a mid-cap growth fund. Some mid-cap growth funds invest in stocks of all sizes, thus leading to a mid-cap profile, but others focus on midsize companies. Mid-cap growth funds target firms that are projected to grow faster than other mid-cap stocks, therefore commanding relatively higher prices. Many of these stocks are found in the volatile technology, health-care, and services sectors.

New Horizons (T. Rowe Price) PRNHX. The fund seeks long-term capital growth. The fund will invest primarily in a diversified group of small, emerging growth companies, preferably early in the corporate life cycle before a company becomes widely recognized by the investment community. It may also invest in companies that offer the possibility of accelerating earnings growth because of rejuvenated management, new products, or structural changes in the economy. While the fund invests most assets in U.S. common stocks, it may also purchase other securities including foreign stocks, futures, and options. The fund is a small-growth fund. Small-growth funds focus on faster-growing companies whose shares are at the lower end of the market-capitalization range. These funds tend to favor companies in up-and-coming industries or young firms in their early growth stages. As a result, the category tends to move in sync with the market for initial public offerings. Many of these funds invest in the technology, health-care, and services sectors. Because these businesses are fast-growing and often richly valued, their stocks tend to be volatile.

Premier International Equity (OFI) MIEDX. The fund seeks a high total rate of return over the long term. The fund invests at least 80% of assets in stock traded primarily in foreign markets, including markets in Europe, Latin America, and Asia. It focuses on well-positioned, well-managed businesses that have strong revenue growth, sustainable profit margins, capital efficiency and/or business integrity and considers the macroeconomic outlook for various regional economies. The former name of the fund is MassMutual International Equity Fund. The fund is a foreign large-growth fund. Foreign large-growth funds focus on high-priced growth stocks, mainly outside of the United States. Most of these funds divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. They tend to invest the rest in emerging markets such as Hong Kong, Brazil, Mexico and Thailand. These funds typically will have less than 20% of assets invested in U.S. stocks.

Global Opportunities (OFI) OGIYX. The fund seeks capital appreciation, consistent with preservation of principal, while providing current income. The fund may invest in equities and fixed-income securities. It may invest without limit in foreign securities and normally maintains investments in at least three foreign countries. The fund may invest up to 25% of assets in bonds rated below investment-grade. The former name of the fund is Oppenheimer Global Gr & Inc. The fund is a world-stock fund. World-stock

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funds have few geographical limitations. It is common for these funds to invest the majority of their assets in the U.S., Europe, and Japan, with the remainder divided among the globe s smaller markets.

Select Focused Value (Harris/C&B) MFVSX. The fund seeks growth of capital over the long-term. The fund invests primarily in a nondiversified portfolio of U.S. equity securities. It is managed by two sub-advisers. Harris Associates L.P. seeks out companies that are trading at significant discounts to their underlying value. It focuses on companies with market capitalizations over $1 billion. Cooke & Bieler, L.P. invests primarily in the common stocks of companies with middle market capitalizations or in companies whose market capitalizations are within the range of companies contained in the Russell Midcap Value index. The fund is nondiversified. The former name of the fund is MassMutual Focused Value. The fund is a large-blend fund. Large-blend funds have portfolios that are fairly representative of the overall stock market in size, growth rates, and price. They tend to invest across the spectrum of U.S. industries and owing to their broad exposure, the fund s returns are often similar to those of the S&P 500 index.

An investment in any of the funds listed above is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. As with any mutual fund investment, there is always a risk that you may lose money on your investment in any of the funds listed above.

Investment in Common Stock of ESSA Bancorp, Inc.

In connection with the offering, the Plan now offers the ESSA Bancorp, Inc. Stock Account as an additional choice to these investments options. The ESSA Bancorp, Inc. Stock Account invests primarily in the common stock of ESSA Bancorp, Inc. In connection with the offering, you may direct the trustee to invest up to 100% of your Plan account in the ESSA Bancorp, Inc. Stock Account as a one-time special election. Subsequent to the offering, you may elect to invest all or a portion of your payroll deduction contributions in the ESSA Bancorp, Inc. Stock Account. Subsequent to the offering, you may also elect to transfer into the ESSA Bancorp, Inc. Stock Account all or a portion of your accounts currently invested in other Accounts under the Plan.

The ESSA Bancorp, Inc. Stock Account consists primarily of investments in the Common Stock of ESSA Bancorp, Inc. After the offering, the trustee of the Plan will, to the extent practicable, use all amounts held by it in the ESSA Bancorp, Inc. Stock Account, including cash dividends paid on the Common Stock held in the Account, to purchase additional shares of Common Stock of ESSA Bancorp, Inc.

As of the date of this prospectus supplement, none of the shares of ESSA Bancorp, Inc. Common Stock have been issued or are outstanding and there is no established market for ESSA Bancorp, Inc. Common Stock. Accordingly, there is no record of the historical performance of the ESSA Bancorp, Inc. Stock Account. Performance of the ESSA Bancorp, Inc. Stock Account depends on a number of factors, including the financial condition and profitability of ESSA

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Bancorp, Inc. and ESSA Bank & Trust and market conditions for ESSA Bancorp, Inc. Common Stock generally.

Investments in the ESSA Bancorp, Inc. Stock Account involve special risks common to investments in the Common Stock of ESSA Bancorp, Inc.

For a discussion of material risks you should consider, see Risk Factors beginning on page 18 of the attached prospectus.

Administration of the Plan

The Trustee and Custodian. Plan assets are held in a group annuity contract, so the Plan assets are not required to be held in a trust. ***The stock account will not be held as part of the group annuity contract and the Plan will need a trustee for this asset. MassMutual has a directed Trustee arrangement with Investor s Bank and Trust.***

Plan Administrator. Pursuant to the terms of the Plan, the Plan is administered by the Plan Administrator, ESSA Bank & Trust. The address of the Plan Administrator is ESSA Bank & Trust, Attn: Thomas J. Grayuski, 200 Palmer Street, Stroudsburg, Pennsylvania 18360; telephone: (570) 422-0197. The Plan Administrator is responsible for the administration of the Plan, interpretation of the provisions of the Plan, prescribing procedures for filing applications for benefits, preparation and distribution of information explaining the Plan, maintenance of Plan records, books of account and all other data necessary for the proper administration of the Plan, preparation and filing of all returns and reports relating to the Plan which are required to be filed with the U.S. Department of Labor and the Internal Revenue Service, and for all disclosures required to be made to participants, beneficiaries and others under ERISA Sections 104 and 105.

Reports to Plan Participants. The Plan Administrator will furnish you a statement at least quarterly showing the balance in your account as of the end of that period, the amount of contributions allocated to your account for that period, and any adjustments to your account to reflect earnings or losses (if any).

Amendment and Termination

It is the intention of ESSA Bank & Trust to continue the Plan indefinitely. Nevertheless, ESSA Bank & Trust may terminate the Plan at any time. If the Plan is terminated in whole or in part, then regardless of other provisions in the Plan, you will have a fully vested interest in your accounts. ESSA Bank & Trust reserves the right to make any amendment or amendments to the Plan which do not cause any part of the trust to be used for, or diverted to, any purpose other than the exclusive benefit of participants or their beneficiaries; provided, however, that ESSA Bank & Trust may make any amendment it determines necessary or desirable, with or without retroactive effect, to comply with ERISA.

Merger, Consolidation or Transfer

In the event of the merger or consolidation of the Plan with another plan, or the transfer of the trust assets to another plan, the Plan requires that you would, if either the Plan or the other plan terminates, receive a benefit immediately after the merger, consolidation or transfer that is equal to the benefit that you would have been entitled to receive immediately before the merger, consolidation or transfer.

Federal Income Tax Consequences

The following is a brief summary of the material federal income tax aspects of the Plan. You should not rely on this summary as a complete or definitive description of the material federal income tax consequences relating to the Plan. Statutory provisions change, as do their interpretations, and their application may vary in individual circumstances. Finally, the consequences under applicable state and local income tax laws may not be the same as under the federal income tax laws. Please consult your tax advisor with respect to any distribution from the Plan and transactions involving the Plan.

As a tax-qualified retirement plan, the Code affords the Plan special tax treatment, including:

(1) the sponsoring employer is allowed an immediate tax deduction for the amount contributed to the Plan each year;

(2) participants pay no current income tax on amounts contributed by the employer on their behalf; and

(3) earnings of the Plan are tax-deferred, thereby permitting the tax-free accumulation of income and gains on investments.

ESSA Bank & Trust will administer the Plan to comply with the requirements of the Code as of the applicable effective date of any change in the law.

Lump-Sum Distribution. A distribution from the Plan to a participant or the beneficiary of a participant will qualify as a lump-sum distribution if it is made within one taxable year, on account of the participant s death, disability or separation from service, or after the participant attains age 59 $^{1}/2$, and consists of the balance credited to participants under the Plan. The portion of any lump-sum distribution required to be included in your taxable income for federal income tax purposes consists of the entire amount of the lump-sum distribution you have made to this Plan.

ESSA Bancorp, Inc. Common Stock Included in Lump-Sum Distribution. If a lump-sum distribution includes ESSA Bancorp, Inc. Common Stock, the distribution generally will be taxed in the manner described above, except that the total taxable amount may be reduced by the amount of any net unrealized appreciation with respect to ESSA Bancorp, Inc. Common Stock; that is, the excess of the value of ESSA Bancorp, Inc. Common Stock at the time of the distribution over its cost of the securities to the trust. The tax basis of ESSA Bancorp, Inc. Common Stock, for purposes of computing gain or loss on its subsequent sale, equals the value of ESSA Bancorp, Inc. Common Stock at the time of distribution, less the amount of net unrealized appreciation. Any gain on a subsequent sale or other taxable disposition of ESSA Bancorp, Inc. Common Stock, to the extent of the amount of net unrealized appreciation at the

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time of distribution, will constitute long-term capital gain, regardless of the holding period of ESSA Bancorp, Inc. Common Stock. Any gain on a subsequent sale or other taxable disposition of ESSA Bancorp, Inc. Common Stock, in excess of the amount of net unrealized appreciation at the time of distribution, will be considered long-term capital gain. The recipient of a distribution may elect to include the amount of any net unrealized appreciation in the total taxable amount of the distribution, to the extent allowed by regulations to be issued by the Internal Revenue Service.

Distributions: Rollovers and Direct Transfers to Another Qualified Plan or to an IRA. You may roll over virtually all distributions from the Plan to another qualified plan or to an individual retirement account in accordance with the terms of the other plan or account.

Additional Employee Retirement Income Security Act (ERISA) Considerations

As noted above, the Plan is subject to certain provisions of ERISA, including special provisions relating to control over the Plan s assets by participants and beneficiaries. The Plan s feature that allows you to direct the investment of your account balances is intended to satisfy the requirements of section 404(c) of ERISA relating to control over plan assets by a participant or beneficiary. The effect of this is two-fold. First, you will not be deemed a fiduciary because of your exercise of investment discretion. Second, no person who otherwise is a fiduciary, such as ESSA Bank & Trust, the Plan administrator, or the Plan s trustee is liable under the fiduciary responsibility provision of ERISA for any loss which results from your exercise of control over the assets in your Plan account.

Because you will be entitled to invest all or a portion of your account balance in the Plan in ESSA Bancorp, Inc. Common Stock, the regulations under ERISA section 404(c) require that the Plan establish procedures that ensure the confidentiality of your decision to purchase, hold, or sell employer securities, except to the extent that disclosure of such information is necessary to comply with federal or state laws not preempted by ERISA. These regulations also require that your exercise of voting and similar rights with respect to the Common Stock be conducted in a way that ensures the confidentiality of your exercise of these rights.

Securities and Exchange Commission Reporting and Short-Swing Profit Liability

Section 16 of the Securities Exchange Act of 1934 imposes reporting and liability requirements on officers, directors, and persons beneficially owning more than 10% of public companies such as ESSA Bancorp, Inc. Section 16(a) of the Securities Exchange Act of 1934 requires the filing of reports of beneficial ownership. Within 10 days of becoming an officer, director or person beneficially owning more than 10% of the shares of ESSA Bancorp, Inc., a Form 3 reporting initial beneficial ownership must be filed with the Securities and Exchange Commission. Changes in beneficial ownership, such as purchases, sales and gifts generally must be reported on a Form 4 within 2 business days after the change occurs. Insiders must file a Form 5 to report any transactions that should have been reported earlier on a Form 4 or were eligible for deferred reporting. If a Form 5 must be filed, it is due 45 days after the end of ESSA Bancorp, Inc. s fiscal year. Discretionary transactions in and beneficial ownership of the Common Stock through the ESSA Bancorp, Inc. Stock Account of the Plan by officers, directors

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and persons beneficially owning more than 10% of the Common Stock of ESSA Bancorp, Inc. generally must be reported to the Securities and Exchange Commission by such individuals.

In addition to the reporting requirements described above, section 16(b) of the Securities Exchange Act of 1934 provides for the recovery by ESSA Bancorp, Inc. of profits realized by an officer, director or any person beneficially owning more than 10% of ESSA Bancorp, Inc. s Common Stock resulting from non-exempt purchases and sales of ESSA Bancorp, Inc. Common Stock within any six-month period.

The Securities and Exchange Commission has adopted rules that provide exemptions from the profit recovery provisions of section 16(b) for all transactions in employer securities within an employee benefit plan, provided certain requirements are met. These requirements generally involve restrictions upon the timing of elections to acquire or dispose of employer securities for the accounts of section 16(b) persons. Except for distributions of Common Stock due to death, disability, retirement, termination of employment or under a qualified domestic relations order, persons affected by section 16(b) are required to hold shares of Common Stock distributed from the Plan for six months following such distribution and are prohibited from directing additional purchases of units within the ESSA Bancorp, Inc. Stock Account for six months after receiving such a distribution.

Financial Information Regarding Plan Assets

Financial information representing the net assets available for Plan benefits and the change in net assets available for Plan benefits at December 31, 2006, are attached to this prospectus supplement.

LEGAL OPINION

The validity of the issuance of the Common Stock has been passed upon by Luse Gorman Pomerenk & Schick, P.C., Washington, D.C., which firm acted as special counsel to ESSA Bank & Trust in connection with ESSA Bancorp, Inc. s stock offering.

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ESSA BANK & TRUST

401(k) PLAN

Statement of Net Assets Available for Benefits as of December 31, 2006

	December 31, 2006	
	Beginning of Year	**End of Year**
Assets	$	$
Investments	$	$
Liabilities	$	$
Net Assets Available for Plan Benefits	$	

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ESSA BANK & TRUST

401(k) PLAN

Statement of Changes in Net Assets Available For Plan Benefits

	December 31, 2006
Investment Income	$
Investment Expense	$
Net Investment Income	$
Contributions	$
Total Additions	$
Benefits paid:	$
Withdrawals	$
Increase in Net Assets	$
Net Assets Available for Plan	$
Benefits: Beginning of Year	$
End of Year	$

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[MAP SHOWING ESSA BANK & TRUST S MARKET AREA APPEARS HERE]

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SUMMARY

The following summary highlights selected information in this prospectus. It may not contain all the information that is important to you. For additional information, you should read this entire prospectus carefully, including the Consolidated Financial Statements and the notes to the Consolidated Financial Statements.

ESSA Bank & Trust

ESSA Bank & Trust was organized in 1916. ESSA Bank & Trust is a full-service, community-oriented savings association with total assets of $725.8 million, total net loans of $556.7 million and total deposits of $402.2 million at September 30, 2006. We provide financial services to individuals, families and businesses through our 12 full-service banking offices, located in Monroe and Northampton Counties, Pennsylvania.

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, home equity loans and lines of credit, commercial and consumer loans. In addition, we offer a variety of deposit accounts, including checking, savings and certificates of deposits. We offer asset management and trust services. We also offer investment services through our relationship with PRIMEVEST Financial Services, Inc., a third party broker/dealer and investment advisor.

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.

ESSA Bancorp, Inc.

ESSA Bancorp, Inc. is a newly-formed Pennsylvania corporation that will own all of the outstanding shares of common stock of ESSA Bank & Trust upon completion of the mutual-to-stock conversion and the offering. ESSA Bancorp, Inc. has not engaged in any business to date.

Our executive offices are located at 200 Palmer Street, Stroudsburg, Pennsylvania 18360. Our telephone number at this address is (570) 421-0531.

Our Organizational Structure

ESSA Bancorp, Inc., a Pennsylvania corporation, will own 100% of the outstanding shares of common stock of ESSA Bank & Trust. ESSA Bancorp, Inc., a Pennsylvania corporation, has not issued shares of stock to the public.

Pursuant to the terms of ESSA Bank & Trust s plan of conversion, ESSA Bank & Trust will convert from a mutual savings association to a stock savings association operating in the holding company corporate structure. As part of the conversion, we are offering for sale in a

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subscription offering, and, if necessary, a community offering and a syndicated community offering, shares of common stock of ESSA Bancorp, Inc., a Pennsylvania corporation.

Business Strategy

Our business strategy is to grow and improve our profitability by:

- Increasing customer relationships through the offering of excellent service and the distribution of that service through effective delivery systems;
- Continuing to transform into a full service community bank by meeting the financial services needs of our customers;
- Continuing to develop into a high performing financial institution, in part by increasing interest revenue and fee income;
- Remaining within our risk management parameters; and
- Employing affordable technology to increase profitability and improve customer service.

A full description of our products and services begins on page 58 of this prospectus.

We believe that these strategies will guide our investment of the net proceeds of the offering. We intend to continue to pursue our business strategy after the conversion and the offering, subject to changes necessitated by future market conditions and other factors. We also intend to focus on the following:

- ***Increasing customer relationships through a continued commitment to service and enhancing products and delivery systems.*** We will continue to increase customer relationships by focusing on customer satisfaction with regards to service, products, systems and operations. We have upgraded and expanded certain of our facilities, including our corporate center, to provide additional capacity to manage future growth and expand our delivery systems.
- ***Continuing to transform into a full service community bank.*** We continue to transform from a traditional savings association into a full service community bank. During the last several years, we have begun to offer a wide variety of commercial loans and deposits, as well as trust and brokerage services.
- ***Continuing to develop into a high performing financial institution.*** We will continue to enhance profitability by focusing on increasing non-interest income as well as increasing commercial products, including our focus on commercial real estate lending, which often have a higher profit margin than more traditional products. We also will pursue lower-cost commercial deposits as part of this strategy.
- ***Remaining within our risk management parameters.*** We place significant emphasis on risk management and compliance training for all of our directors, officers and employees. We focus on establishing regulatory compliance

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programs to determine the degree of such compliance and to maintain the trust of our customers and community.

Employing cost-effective technology to increase profitability and improve customer service. We will continue to upgrade our technology in an efficient manner. We have implemented new software for marketing purposes and have upgraded both our internal and external communication systems.

Continuing our emphasis on commercial real estate lending to improve our overall performance. We intend to continue to emphasize the origination of higher interest rate margin commercial real estate loans as market conditions, regulations and other factors permit. We have expanded our commercial banking capabilities by adding experienced commercial bankers, and enhancing our direct marketing efforts to local businesses.

Expanding our banking franchise through branching and acquisitions. We will attempt to use the net proceeds from the offering, as well as our new stock holding company structure, to expand our market footprint through *de novo* branching as well as through acquisitions of banks, savings institutions and other financial service providers in our primary market area. We will also consider establishing *de novo* branches or acquiring financial institutions in contiguous counties. We have received regulatory approval to open a new branch office in Tannersville, Pennsylvania which we anticipate opening in May 2007. There can be no assurance that we will be able to consummate any acquisitions or establish any additional new branches. We may explore acquisition opportunities involving other banks and thrifts, and possibly financial service companies, when and as they arise, as a means of supplementing internal growth, filling gaps in our current geographic market area and expanding our customer base, product lines and internal capabilities.

Maintaining the quality of our loan portfolio. Maintaining the quality of our loan portfolio is a key factor in managing our growth. We will continue to use customary risk management techniques, such as internal and external loan reviews, risk-focused portfolio credit analysis and field inspections of collateral in overseeing the performance of our loan portfolio.

See Management s Discussion and Analysis of Financial Condition and Results of Operations of ESSA Bancorp, Inc. Business Strategy for a further discussion of our business strategy.

Reasons for the Conversion

Our primary reasons for converting and raising additional capital through the offering are:

to support our internal growth through lending in communities we serve or may serve in the future;

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to enhance our existing products and services and to support the development of new products and services;

to improve our overall competitive position;

to provide additional financial resources to pursue *de novo* branching opportunities and future acquisition opportunities as discussed above in Business Strategy Expanding our banking franchise through branching and acquisitions. We have no current arrangements or agreements to acquire other banks, thrifts and financial service companies or branch offices. We have received regulatory approval to open a new branch office in Tannersville, Pennsylvania which we anticipate opening in May 2007;

to reduce a portion of our existing borrowings;

to provide better capital management tools, including the ability to pay dividends and to repurchase shares of our common stock; and

to retain and attract qualified personnel by establishing stock benefit plans for management and employees, including a stock option plan, a stock recognition and retention plan and an employee stock ownership plan.

Terms of the Conversion and the Offering

Under ESSA Bank & Trust s plan of conversion, our organization will convert to a fully public holding company structure. In connection with the conversion, we are offering between 9,350,000 and 12,650,000 shares of common stock to eligible depositors and borrowers of ESSA Bank & Trust, to our employee benefit plans and, to the extent shares remain available, to the general public. The number of shares of common stock to be sold may be increased up to 14,547,500 as a result of demand for the shares, changes in the market for financial institution stocks or regulatory considerations. Unless the number of shares of common stock to be offered is increased to more than 14,547,500 or decreased to less than 9,350,000 or the offering is extended beyond ______ __, ____, subscribers will not have the opportunity to change or cancel their stock orders.

The purchase price of each share of common stock to be issued in the offering is $10.00. All investors will pay the same purchase price per share. Investors will not be charged a commission to purchase shares of common stock in the offering. Ryan Beck & Co., Inc., our marketing advisor in the offering, will use its best efforts to assist us in selling shares of our common stock. Ryan Beck & Co., Inc. is not obligated to purchase any shares of common stock in the offering.

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Persons Who May Order Shares of Common Stock in the Offering

We are offering the shares of common stock in a subscription offering in the following descending order of priority:

First, to depositors of ESSA Bank & Trust with aggregate account balances of at least $50 as of the close of business on April 30, 2005.

Second, to ESSA Bank & Trust s tax-qualified employee benefit plans.

Third, to depositors of ESSA Bank & Trust with aggregate account balances of at least $50 as of the close of business on ______________.

Fourth, to depositors of ESSA Bank & Trust as of ____________ and to borrowers of ESSA Bank & Trust as of _____________.
Shares of common stock not purchased in the subscription offering may be offered for sale to the general public in a community offering, with a preference given to natural persons residing in the Pennsylvania Counties of Monroe and Northampton. The community offering may begin concurrently with, during or promptly after the subscription offering as we may determine at any time. If shares remain available for sale following the subscription offering or community offering, we also may offer for sale shares of common stock through a syndicated community offering managed by Ryan Beck & Co., Inc.

We have the right to accept or reject, in our sole discretion, orders received in the community offering or syndicated community offering. We have not established any set criteria for determining whether to accept or reject a purchase order in the community offering or the syndicated community offering, and, accordingly, any determination to accept or reject purchase orders in the community offering and the syndicated community offering will be based on the facts and circumstances known to us at the time.

To ensure a proper allocation of stock, each subscriber eligible to purchase must list on his or her stock order form all deposit accounts in which he or she had an ownership interest at April 30, 2005, _________ or ________, as applicable or each loan account as of ________. Failure to list all accounts, or providing incorrect information, could result in the loss of all or part of a subscriber s stock allocation. We will strive to identify your ownership in all accounts, but we cannot guarantee that we will identify all accounts in which you have an ownership interest. Our interpretation of the terms and conditions of the plan of conversion and of the acceptability of the order forms will be final.

If we receive orders for more shares than we are offering, we may not be able to fully or partially fill your order. Shares will be allocated first to categories in the subscription offering. A detailed description of share allocation procedures can be found in the section entitled The Conversion.

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How We Determined the Offering Range

The amount of common stock that we are offering is based on an independent appraisal of the estimated market value of ESSA Bancorp, Inc., assuming the conversion and the offering are completed. RP Financial, LC., our independent appraiser, has estimated that, as of November 24, 2006, this market value ranged from $100.0 million to $135.4 million, with a midpoint of $117.7 million. Based on this valuation and a $10.00 per share price, the number of shares of common stock being offered for sale by us will range from 9,350,000 shares to 12,650,000 shares. In addition, we will contribute between 654,500 shares to 885,500 shares to a charitable foundation established by ESSA Bank & Trust. The $10.00 per share price was selected primarily because it is the price most commonly used in mutual-to-stock conversions of financial institutions. RP Financial s appraisal is based in part on our financial condition and results of operations, the effect of the additional capital raised by the sale of shares of common stock in the offering and an analysis of a peer group of ten publicly traded savings bank and thrift holding companies that RP Financial considered comparable to us.

The following table presents a summary of selected pricing ratios for ESSA Bancorp, Inc. and our peer group companies identified by RP Financial. These ratios are based on earnings for the twelve months ended September 30, 2006 and book value as of September 30, 2006. Compared to the average pricing of the peer group, our pro forma pricing ratios at the maximum of the offering range indicated a premium of 22.5% on a price-to-earnings basis, a discount of 42.6% on a price-to-book value basis and a discount of 45.7% on a price-to-tangible book value basis. The pricing ratios result from our generally having higher levels of equity but lower earnings than the companies in the peer group on a pro forma basis. Our Board of Directors, in reviewing and approving the valuation, considered the range of price-to-core earnings multiples and the range of price-to-book value ratios and price-to-tangible book value ratios at the different amounts of shares to be sold in the offering. The appraisal did not consider one valuation approach to be more important than the other. Instead, the appraisal concluded that these ranges represented the appropriate balance of the two approaches to valuing ESSA Bancorp, Inc., and the number of shares to be sold, in comparison to the identified peer group institutions. The estimated appraised value and the resulting premium/discount took into consideration the potential financial impact of the conversion and offering.

	Pro forma price-to-earnings multiple	Pro forma price-to-book value ratio	Pro forma price-to-tangible book value ratio
ESSA Bancorp, Inc.			
Maximum	22.73x	81.04%	81.04%
Minimum	18.18	72.10	72.10
Valuation of peer group companies as of November 24, 2006			
Averages	18.55x	141.13%	149.25%
Medians	16.70	137.70	145.80

The independent appraisal does not indicate per share market value. Do not assume or expect that the valuation of ESSA Bancorp, Inc. as indicated above means that, after the conversion and the offering, the shares of common stock will trade at or above the $10.00 offering price. Furthermore, the pricing ratios presented above were utilized by RP

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Financial to estimate our market value and not to compare the relative value of shares of our common stock with the value of the capital stock of the peer group. The value of the capital stock of a particular company may be affected by a number of factors such as financial performance, asset size and market location.

The independent appraisal will be updated prior to the completion of the conversion. If the appraised value decreases below $93.5 million or increases above $145.5 million, we will promptly return, with interest, all funds previously delivered to us to purchase shares of common stock in the offering, and subscribers may be resolicited with the approval of the Office of Thrift Supervision and the Pennsylvania Department of Banking and be given the opportunity to change or cancel their orders. If you do not respond, we will cancel your stock order and return your subscription funds, with interest, and cancel any authorization to withdraw funds from your deposit accounts for the purchase of shares of common stock. For a more complete discussion of the amount of common stock we are offering for sale and the independent appraisal, see The Conversion Determination of Share Price and Number of Shares to be Issued.

After-Market Stock Price Performance Provided by Independent Appraiser

The appraisal report prepared by RP Financial included examples of after-market stock price performance for transactions completed during the three-month period ended November 24, 2006. The following table presents stock price appreciation information for all standard mutual-to-stock conversions completed between January 1, 2005 and November 24, 2006.

Mutual-to-Stock Conversion Offerings with Completed Closing Dates

between January 1, 2005 and November 24, 2006

		Appreciation from Initial Trading Date			
Transaction	**Conversion Date**	**1 day**	**1 week**	**1 month**	**Through November 24, 2006**
Chicopee Bancorp, Inc.	7/20/06	44.6%	42.5%	45.2%	51.1%
Newport Bancorp, Inc.	7/7/06	28.0%	28.8%	31.0%	40.0%
Legacy Bancorp, Inc.	10/26/05	30.3%	34.0%	32.0%	60.2%
BankFinancial Corp.	6/24/05	36.0%	34.0%	36.0%	75.5%
Benjamin Franklin Bancorp, Inc.	4/5/05	0.6%	3.9%	2.5%	43.1%
OC Financial, Inc.	4/1/05	20.0%	8.0%	10.0%	5.0%
Royal Financial, Inc.	1/21/05	16.0%	26.0%	25.4%	60.0%
Average		25.1%	25.3%	26.0%	47.8%
Median		28.0%	28.8%	31.0%	51.1%

This table is not intended to be indicative of how our stock may perform. Furthermore, this table presents only short-term price performance with respect to several companies that only recently completed their initial public offerings and may not be indicative of the longer-term stock price performance of these companies.

Stock price appreciation is affected by many factors, including, but not limited to: general market and economic conditions; the interest rate environment; the amount of proceeds a company raises in its offering; and numerous factors relating to the specific company, including the experience and ability of management, historical and anticipated operating results, the nature

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and quality of the company s assets, and the company s market area. The companies listed in the table above may not be similar to ESSA Bancorp, Inc., the pricing ratios for their stock offerings were in some cases different from the pricing ratios for ESSA Bancorp, Inc. s common stock and the market conditions in which these offerings were completed were, in some cases, different from current market conditions. Any or all of these differences may cause our stock to perform differently from these other offerings.

RP Financial advised the Board of Directors that the appraisal was prepared in conformance with the regulatory appraisal methodology. That methodology requires a valuation based on an analysis of the trading prices of comparable public companies whose stocks have traded for at least one year prior to the valuation date. RP Financial also advised the Board of Directors that the aftermarket trading experience of recent transactions was considered in the appraisal as a general indicator of current market conditions, but was not relied upon as a primary valuation methodology.

Our Board of Directors carefully reviewed the information provided to it by RP Financial through the appraisal process, but did not make any determination regarding whether prior standard mutual-to-stock conversions have been undervalued, nor did the board draw any conclusions regarding how the historical data reflected above may affect ESSA Bancorp, Inc. s appraisal. Instead, we engaged RP Financial to help us understand the regulatory process as it applies to the appraisal and to advise the Board of Directors as to how much capital ESSA Bancorp, Inc. would be required to raise under the regulatory appraisal guidelines.

There can be no assurance that our stock price will not trade below $10.00 per share, as has been the case for some mutual-to-stock conversions. Before you make an investment decision, we urge you to carefully read this prospectus, including, but not limited to, the section entitled Risk Factors beginning on page 18.

Limits on How Much Common Stock You May Purchase

The minimum number of shares of common stock that may be purchased is 25. Generally, no individual, or individual exercising subscription rights through a single qualifying account held jointly, may purchase more than 35,000 ($350,000) shares of common stock. If any of the following persons purchases shares of common stock, their purchases, in all categories of the offering, when combined with your purchases, cannot exceed 50,000 ($500,000) shares:

- your spouse or relatives of you or your spouse living in your house;
- most companies, trusts or other entities in which you are a trustee, have a substantial beneficial interest or hold a senior management position; or
- other persons who may be your associates or persons acting in concert with you.

See the detailed descriptions of acting in concert and associate in The Conversion Limitations on Common Stock Purchases.

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How You May Purchase Shares of Common Stock

In the subscription offering and community offering, you may pay for your shares only by:

- personal check, bank check or money order, made payable to ESSA Bancorp, Inc.; or
- authorizing us to withdraw funds from the types of ESSA Bank & Trust deposit accounts designated on the stock order form.

ESSA Bank & Trust is not permitted to knowingly lend funds to anyone for the purpose of purchasing shares of common stock in the offering. Additionally, you may not use a check drawn on a ESSA Bank & Trust line of credit or a third party check to pay for shares of common stock.

You can subscribe for shares of common stock in the offering by delivering a signed and completed original stock order form, together with full payment or authorization to withdraw from one or more of your ESSA Bank & Trust deposit accounts, so that it is received (not postmarked) the stock order form before 12:00 Noon, Eastern time, ___________, which is the expiration of the offering period. Checks and money orders will be deposited with ESSA Bank & Trust upon receipt. For orders paid for by check or money order, the funds will be promptly cashed and held in a segregated account at ESSA Bank & Trust. We will pay interest on those funds calculated at ESSA Bank & Trust s passbook savings rate from the date funds are received until completion or termination of the conversion and the offering. Withdrawals from certificates of deposit to purchase shares of common stock in the offering may be made without incurring an early withdrawal penalty; however, if a withdrawal results in a certificate account with a balance less than the applicable minimum balance requirement, the certificate will be canceled at the time of withdrawal without penalty and the remaining balance will earn interest at the current passbook rate subsequent to the withdrawal. All funds authorized for withdrawal from deposit accounts with ESSA Bank & Trust must be in the accounts at the time the stock order is received. However, funds will not be withdrawn from the accounts until the completion of the offering and will earn interest at the applicable deposit account rate until that time. A hold will be placed on those funds when your stock order is received, making the designated funds unavailable to you. After we receive your order, your order cannot be changed or canceled unless the number of shares of common stock to be offered is increased to more than 14,547,500 or decreased to less than 9,350,000, or the offering is extended beyond ____________.

By signing the stock order form, you are acknowledging receipt of a prospectus and that the shares of common stock are not deposits or savings accounts that are federally insured or otherwise guaranteed by ESSA Bank & Trust, the Federal Deposit Insurance Corporation or any other government agency.

You may be able to subscribe for shares of common stock using funds in your individual retirement account, or IRA. However, shares of common stock must be purchased through and held in a self-directed retirement account, such as those offered by a brokerage firm. By regulation, ESSA Bank & Trust s individual retirement accounts are not self-directed, so they cannot be used to purchase or hold shares of our common stock. If you wish to use some or all of the funds in your ESSA Bank & Trust individual retirement account to purchase our common stock, the applicable funds must be transferred to a self-directed account maintained by an independent trustee, such as a brokerage firm, and the purchase must be made through that account. If you do not have such an account, you will need to establish one before placing your stock order. It may take several weeks to transfer your ESSA Bank & Trust individual retirement account to an independent trustee, so please allow yourself sufficient time to take this action. An annual administrative fee may be payable to the independent trustee. Because individual circumstances differ and processing of retirement fund orders takes additional time, we recommend that you contact our Stock Information Center promptly, preferably at least two weeks before the _________, 2007 expiration of the offering period, for assistance with purchases using your ESSA Bank & Trust individual retirement account or any other retirement account that you may have. Whether you may use such funds for the purchase of shares in the stock offering may depend on time constraints and, possibly, limitations imposed by the brokerage firm or institution where the funds are held.

Delivery of Stock Certificates

Certificates representing shares of common stock sold in the offering will be mailed to the persons entitled thereto at the certificate registration address noted by them on the order form, as soon as practicable following consummation of the offering and receipt of all necessary regulatory approvals. **It is possible that, until certificates for the common stock are delivered, purchasers might not be able to sell the shares of common stock that they ordered, even though the common stock will have begun trading.**

How We Intend to Use the Proceeds From the Offering

We estimate net proceeds from the offering will be between $91.5 million and $124.2 million, or $143.1 million if the offering range is increased by 15%. Approximately $45.7 million to $62.1 million of the net proceeds, or $71.5 million if the offering range is increased by 15%, will be invested in ESSA Bank & Trust. ESSA Bancorp, Inc. intends to retain between $45.7 million and $62.1 million of the net proceeds, or $71.5 million if the offering range is increased by 15%. A portion of the net proceeds retained by ESSA Bancorp, Inc. will be used for a loan to the employee stock ownership plan to fund its purchase of shares of common stock (between $8.0 million and $10.8 million, or $12.5 million if the offering is increased by 15%). ESSA Bank & Trust intends to contribute up to $1.5 million in cash to a charitable foundation it will establish as part of the stock offering. ESSA Bancorp, Inc. intends to retain the remaining funds of between $36.8 million and $50.0 million of the net proceeds, or $57.6 million if the offering range is increased by 15%. ESSA Bancorp, Inc. may use the remaining funds for investments, to pay cash dividends, to repurchase shares of common stock and other general corporate purposes discussed below.

Funds invested in ESSA Bank & Trust will be used to support increased lending and other products and services. The net proceeds retained by ESSA Bancorp, Inc. and ESSA Bank & Trust also may be used for reducing a portion of our existing borrowings, future business expansion through acquisitions of banking or financial services companies or a limited number of *de novo* branches as discussed above in Business Strategy Expanding our banking franchise through branching and acquisitions. We have no current arrangements or agreements to acquire other banks, thrifts and financial service companies or branch offices. We have received regulatory approval to open a branch in Tannersville, Pennsylvania which we anticipate opening in May 2007. Initially, a substantial portion of the net proceeds will be invested in short-term investments, investment-grade debt obligations and mortgage-backed securities.

Please see the section of this prospectus entitled How We Intend to Use the Proceeds From the Offering for more information on the proposed use of the proceeds from the offering.

You May Not Sell or Transfer Your Subscription Rights

Office of Thrift Supervision regulations prohibit you from transferring your subscription rights. If you order shares of common stock in the subscription offering, you will be required to state that you are purchasing the shares of common stock for yourself and that you have no agreement or understanding to sell or transfer your subscription rights. We intend to take legal action, including reporting persons to federal or state regulatory agencies, against anyone who we believe has sold or given away his or her subscription rights. We will not accept your order if we have reason to believe that you have sold or transferred your subscription rights. When completing your stock order form, you should not add the name(s) of persons who do not have subscription rights or who qualify in a lower subscription priority than you do. In addition, the stock order form requires that you list all deposit or loan accounts, giving all names on each account and the account number at the applicable eligibility date. Your failure to provide this information, or providing incomplete or incorrect information, may result in a loss of part or all of your share allocation, if there is an oversubscription.

Deadline for Orders of Common Stock

If you wish to purchase shares of common stock in the offering, we must receive a properly completed original stock order form, together with full payment for the shares of common stock, at the Stock Information Center no later than 12:00 Noon, Eastern time, on _________, unless we extend this deadline. A postmark prior to _________ will not entitle you to purchase shares of common stock unless we receive the envelope by 12:00 Noon Eastern time. You may submit your order form by mail using the order reply envelope provided, by overnight courier to the indicated address on the order form, or by delivery to our Stock Information Center, located at __________. Once we receive it, your order is irrevocable unless the offering is terminated or extended beyond ___________ or the number of shares of common stock to be sold is decreased to less than 9,350,000 shares or increased to more than 14,547,500 shares. If the offering is extended beyond ____________, or if the number of shares of common stock to be sold is decreased to less than 9,350,000 shares or is increased to more than 14,547,500 shares, we will, with the approval of the Office of Thrift Supervision, resolicit subscribers, giving them the opportunity to confirm, cancel or change their stock orders during a specified resolicitation period.

Although we will make reasonable attempts to provide a prospectus and offering materials to holders of subscription rights, the subscription offering and all subscription rights will expire at 12:00 Noon, Eastern time, on __________, whether or not we have been able to locate each person entitled to subscription rights.

Steps We May Take if We do Not Receive Orders for the Minimum Number of Shares

If we do not receive orders for at least 9,350,000 shares of common stock, we may take several steps in order to issue the minimum number of shares of common stock in the offering range. Specifically, we may:

- increase the purchase limitations; and/or

- seek the approval of the Office of Thrift Supervision and the Pennsylvania Department of Banking to extend the offering beyond the ______________ expiration date, so long as we resolicit subscriptions that we have previously received in the offering.

In addition, we may terminate the offering at any time prior to the special meeting of members of ESSA Bank & Trust that is being called to vote upon the conversion, and at any time after member approval, with the approval of the Office of Thrift Supervision and, if requested, the Secretary of Pennsylvania Department of Banking.

Purchases by Officers and Directors

We expect our directors and executive officers, together with their associates, to subscribe for 427,000 shares of common stock in the offering, or 4.6% of the shares to be sold at the midpoint of the offering range. The purchase price paid by them for their subscribed shares will be the same $10.00 per share price paid by all other persons who purchase shares of common stock in the offering. Purchases by directors, executive officers and their associates will be included in determining whether the required minimum number of shares has been subscribed for in the offering.

Benefits to Management and Potential Dilution to Stockholders Following the Conversion

We expect our tax-qualified employee stock ownership plan to purchase 8% of the total number of shares of common stock that we sell in the offering and contribute to our charitable foundation, or 1,082,840 shares of common stock, assuming we sell the maximum of the shares proposed to be sold. If we receive orders for more shares of common stock than the maximum of the offering range, the employee stock ownership plan will have first priority to purchase shares over this maximum, up to a total of 8% of the total number of shares of common stock sold in the offering and contributed to our charitable foundation. We reserve the right to purchase shares of common stock in the open market following the offering in order to fund the employee stock ownership plan. This plan is a tax-qualified retirement plan for the benefit of all our employees. Purchases by the employee stock ownership plan will be included in determining whether the required minimum number of shares has been sold in the offering.

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Assuming the employee stock ownership plan purchases 1,082,840 shares in the offering, we will recognize additional compensation expense of $10.8 million over a 30-year period, assuming the shares of common stock have a fair market value of $10.00 per share for the full 30-year period. If, in the future, the shares of common stock have a fair market value greater or less than $10.00, the compensation expense will increase or decrease accordingly.

We also intend to implement a stock-based recognition and retention plan and a stock option plan no earlier than six months after completion of the conversion. Stockholder approval of these plans will be required. If adopted within 12 months following the completion of the conversion, the stock recognition and retention plan will reserve a number of shares equal to not more than 4% of the shares sold in the offering and contributed to our charitable foundation, or up to 541,420 shares of common stock at the maximum of the offering range, for awards to key employees and directors, at no cost to the recipients. If adopted within 12 months following the completion of the conversion, the stock option plan will reserve a number of shares equal to not more than 10% of the shares of common stock sold in the offering and contributed to our charitable foundation, or up to 1,353,550 shares of common stock at the maximum of the offering range, for key employees and directors upon their exercise. If the stock recognition and retention plan and the stock option plan are adopted after one year from the date of the completion of the conversion, such plans would be permitted to and may grant or award shares of common stock and options greater than 4% and/or 10%, respectively, of the shares of common stock sold in the offering. We have not yet determined whether we will present these plans for stockholder approval within 12 months following the completion of the conversion or whether we will present these plans for stockholder approval more than 12 months following the completion of the conversion.

If the shares of common stock awarded under the stock recognition and retention plan come from authorized but unissued shares of common stock, stockholders would experience dilution of up to approximately 3.9% in their ownership interest in ESSA Bancorp, Inc. If the shares of common stock issued upon the exercise of options granted under the stock option plan come from authorized but unissued shares of common stock, stockholders would experience dilution of approximately 9.1% in their ownership interest in ESSA Bancorp, Inc. Awards made under these plans would be subject to vesting over a period of years.

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The following table summarizes the number of shares of common stock and aggregate dollar value of grants (valuing each share granted at the offering price of $10.00) that are available under the stock recognition and retention plan and the stock option plan if such plans are adopted within one year following the completion of the conversion and the offering. The table shows the dilution to stockholders if all these shares are issued from authorized but unissued shares, instead of shares purchased in the open market. The table also sets forth the number of shares of common stock to be acquired by the employee stock ownership plan for allocation to all employees. A portion of the stock grants shown in the table below may be made to non-management employees.

	Number of Shares to be Granted or Purchased			Dilution Resulting From Issuance of Shares for Stock Benefit Plans	Value of Grants (1)	
	At Minimum of Offering Range	At Maximum of Offering Range	As a Percentage of Common Stock to be Issued in the Offering (2)		At Minimum of Offering Range	At Maximum of Offering Range
					(Dollars in thousands)	
Employee stock ownership plan	800,360	1,082,840	8.56%		$ 8,004	$ 10,828
Stock recognition and retention plan	400,180	541,420	4.28	3.85	4,002	5,414
Stock option plan	1,000,450	1,353,550	10.70	9.09	3,842	5,198
Total	2,200,990	2,977,810	23.54%	12.28%	$ 15,848	$ 21,440

(1) The actual value of restricted stock grants will be determined based on their fair value as of the date grants are made. For purposes of this table, fair value is assumed to be the same as the offering price of $10.00 per share. The fair value of stock options has been estimated at $3.84 per option using the Black-Scholes option pricing model with the following assumptions: a grant-date share price and option exercise price of $10.00; dividend yield of 0%; an expected option life of 10 years; a risk free interest rate of 4.64%; and a volatility rate of 11.32% based on an index of publicly traded thrift institutions. The actual expense of the stock option plan will be determined by the grant-date fair value of the options, which will depend on a number of factors, including the valuation assumptions used in the option pricing model ultimately adopted which may or may not be Black-Scholes.

(2) The stock option plan and stock recognition and retention plan may award a greater number of options and shares, respectively, if the plans are adopted more than one year after the completion of the conversion.

The actual value of restricted stock grants will be determined based on their fair value (the market price of shares of common stock of ESSA Bancorp, Inc.) as of the date grants are made. The stock recognition and retention plan, which is subject to stockholder approval, cannot be implemented until at least six months after the completion of the conversion. The following table presents the total value of all shares to be available for award and issuance under the stock recognition and retention plan, assuming the shares for the plan are purchased or issued in a range of market prices from $8.00 per share to $16.00 per share at the time of the grant.

Share Price	400,180 Shares Awarded at Minimum of Offering Range	470,800 Shares Awarded at Midpoint of Offering Range	541,420 Shares Awarded at Maximum of Offering Range	622,633 Shares Awarded at Maximum of Offering Range, As Adjusted
	(In thousands, except share price information)			
$ 8.00	$ 3,201	$ 3,766	$ 4,331	$ 4,981
$ 10.00	4,002	4,708	5,414	6,226
$ 12.00	4,802	5,650	6,497	7,472
$ 14.00	5,603	6,591	7,580	8,717
$ 16.00	6,403	7,532	8,663	9,962

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The grant-date fair value of the options granted under the stock option plan will be based, in part, on the price of shares of common stock of ESSA Bancorp, Inc. at the time the options are granted, which, subject to stockholder approval, cannot be implemented until at least six months after the completion of the conversion. The value will also depend on the various assumptions utilized in the option-pricing model ultimately adopted. The following table presents the total estimated value of the options to be available for grant under the stock option plan, assuming the range of market prices for the shares are $8.00 per share to $16.00 per share at the time of the grant.

Exercise Price	Grant-Date Fair Value Per Option	1,000,450 Options at Minimum of Range	1,177,000 Options at Midpoint of Range	1,353,550 Options at Maximum of Range	1,556,583 Options at Maximum of Range, As Adjusted
		(In thousands, except share price information)			
$ 8.00	$ 3.07	$ 3,071	$ 3,613	$ 4,155	$ 4,779
10.00	3.84	3,842	4,520	5,198	5,977
12.00	4.61	4,612	5,426	6,240	7,176
14.00	5.38	5,382	6,332	7,282	8,374
16.00	6.15	6,153	7,239	8,324	9,573

The tables presented above are provided for informational purposes only. There can be no assurance that our stock price will not trade below $10.00 per share. Before you make an investment decision, we urge you to carefully read this prospectus, including, but not limited to, the section entitled Risk Factors beginning on page 18.

Our Issuance of Shares of Common Stock to the ESSA Bank & Trust Foundation

To further our commitment to the communities we serve, we intend to establish a charitable foundation as part of the stock offering. Assuming we receive member approval to establish the charitable foundation, we will contribute cash ranging from $935,000 at the minimum of the valuation range to $1.3 million at the maximum of the valuation range and shares of our common stock representing 7.0% of the shares of common stock of ESSA Bancorp, Inc. that will be sold in the offering. The number of shares issued to our charitable foundation will range from 654,500 shares at the minimum of the valuation range to 885,500 shares at the maximum of the valuation range, which shares will have a value of $6.5 million at the minimum of the valuation range and $8.9 million at the maximum of the valuation range, based on the $10.00 per share offering price. As a result of the issuance of shares and the contribution of cash to the charitable foundation, we will record an after-tax expense of approximately $5.6 million at the minimum of the valuation range and of approximately $8.2 million at the maximum of the valuation range, during the quarter in which the stock offering is completed.

The charitable foundation will be dedicated exclusively to supporting charitable causes and community development activities in the communities in which we operate. The charitable foundation is expected to make contributions totaling approximately $__________ in its first year of operation, assuming we sell our shares of common stock at the midpoint of the offering range.

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Issuing shares of common stock to the charitable foundation will:

- dilute the voting interests of purchasers of shares of our common stock in the stock offering; and
- result in an expense, and a reduction in earnings, during the quarter in which the contribution is made, equal to the full amount of the contribution to the charitable foundation, offset in part by a corresponding tax benefit.

The establishment and funding of the charitable foundation has been approved by the Board of Directors of ESSA Bancorp, Inc. and ESSA Bank & Trust and is subject to approval by members of ESSA Bank & Trust. If the members do not approve the charitable foundation, we may, in our discretion, complete the conversion and stock offering without the inclusion of the charitable foundation and without resoliciting subscribers. We may also determine, in our discretion, not to complete the conversion and stock offering if the members do not approve the charitable foundation.

See Risk Factors The Contribution of Shares to the Charitable Foundation Will Dilute Your Ownership Interests and Adversely Affect Net Income in Fiscal 2007, Comparison of Valuation and Pro Forma Information With and Without the Charitable Foundation and ESSA Bank & Trust Foundation.

Market for Common Stock

We have received approval for shares of our common stock to be listed on the Nasdaq Global Market under the symbol ESSA. See Market for the Common Stock.

Our Policy Regarding Dividends

Following completion of the stock offering, our Board of Directors will have the authority to declare dividends on our common stock, subject to statutory and regulatory requirements. However, no decision has been made with respect to the amount, if any, and timing of any dividend payments. The payment and amount of any dividend payments will depend upon a number of factors, including the following:

- regulatory capital requirements;
- our financial condition and results of operations;
- tax considerations;
- statutory and regulatory limitations; and
- general economic conditions.

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Tax Consequences

As a general matter, the conversion will not be a taxable transaction for federal or state income tax purposes to ESSA Bank & Trust, ESSA Bancorp, Inc., or persons eligible to subscribe in the subscription offering.

Conditions to Completion of the Conversion and the Offering

We cannot complete the conversion and the offering unless:

- The plan of conversion is approved by at least *a majority of votes eligible* to be cast by members of ESSA Bank & Trust (consisting of depositors and certain borrowers of ESSA Bank & Trust). A special meeting of members to consider and vote upon the plan of conversion has been set for _________;
- We have received orders to purchase at least the minimum number of shares of common stock offered; and
- We receive the final approval of the Office of Thrift Supervision and the Pennsylvania Department of Banking to complete the conversion and the offering.

In addition, in order to establish and fund the charitable foundation, we will need to receive the approval of a majority of votes eligible to be cast by members of ESSA Bank & Trust at the special meeting of members to be held on _________________. If the members do not approve the charitable foundation, we may, in our discretion, complete the conversion and stock offering without the inclusion of the charitable foundation and without resoliciting subscribers. We may also determine in our discretion, not to complete the conversion and stock offering if the members do not approve the charitable foundation.

How You Can Obtain Additional Information

Our branch office personnel may not, by law, assist with investment-related questions about the offering. If you have any questions regarding the conversion or the offering, please call or visit our Stock Information Center, toll free, at 1-________, Monday through Friday between 10:00 a.m. and 4:00 p.m., Eastern time. The Stock Information Center is located at ____. The Stock Information Center will be closed on weekends and bank holidays.

TO ENSURE THAT EACH PERSON RECEIVES A PROSPECTUS AT LEAST 48 HOURS PRIOR TO THE EXPIRATION DATE OF _______ IN ACCORDANCE WITH FEDERAL LAW, NO PROSPECTUS WILL BE MAILED ANY LATER THAN FIVE DAYS PRIOR TO _______ OR HAND-DELIVERED ANY LATER THAN TWO DAYS PRIOR TO __________.

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RISK FACTORS

You should consider carefully the following risk factors in evaluating an investment in the shares of common stock.

Risks Related to Our Business

Future Changes in Interest Rates Could Reduce Our Profits

Our ability to make a profit largely depends on our net interest income, which could be negatively affected by changes in interest rates. Net interest income is the difference between:

(1) the interest income we earn on our interest-earning assets, such as loans and securities; and

(2) the interest expense we pay on our interest-bearing liabilities, such as deposits and borrowings.

Since September 30, 2004, the Federal Reserve Board of Governors has increased its target for the federal funds rate 17 times, from 1.0% to 5.25%. While these short-term market interest rates (which we use as a guide to price our deposits) have increased, longer-term market interest rates (which we use as a guide to price our longer-term loans) have not increased to the same degree. This flattening of the market yield curve has had a negative impact on our interest rate spread and net interest margin, and if short-term interest rates continue to rise, and if rates on our deposits and borrowings continue to reprice upwards faster than the rates on our long-term loans and investments, we would continue to experience compression of our interest rate spread and net interest margin, which would have a negative effect on our profitability. Our average interest rate spread decreased 39 basis points to 2.46% during the 2006 fiscal year from 2.85% during the 2005 fiscal year.

In addition, changes in interest rates can affect the average life of loans and mortgage-backed and related securities. A reduction in interest rates results in increased prepayments of loans and mortgage-backed and related securities, as borrowers refinance their loans in order to reduce their borrowing costs. This creates reinvestment risk, which is the risk that we may not be able to reinvest prepayments at rates that are comparable to the rates we earned on the prepaid loans or securities. Increases in interest rates may decrease loan demand and/or make it more difficult for borrowers to repay adjustable rate loans.

Changes in interest rates also affect the current market value of our interest-earning securities portfolio. Generally, the value of securities moves inversely with changes in interest rates. At September 30, 2006, the fair value of our available for sale agency securities, mortgage-backed securities and corporate debt obligations totaled $89.1 million. Unrealized net losses on these available for sale securities totaled approximately $287,000 at September 30, 2006 and are reported as a separate component of stockholders equity. Decreases in the fair value of securities available for sale in future periods would have an adverse effect on stockholder s equity.

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We evaluate interest rate sensitivity by estimating the change in ESSA Bank & Trust s net portfolio value over a range of interest rate scenarios. Net portfolio value is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts. At September 30, 2006, in the event of an immediate 200 basis point increase in interest rates, the Office of Thrift Supervision model projects that we would experience a $23.0 million, or 29%, decrease in net portfolio value. See Management s Discussion and Analysis of Financial Condition and Results of Operations of ESSA Bancorp, Inc. Management of Market Risk.

A Downturn in the Local Economy or a Decline in Real Estate Values Could Reduce Our Profits.

Nearly all of our real estate loans are secured by real estate in Monroe and Northampton Counties, Pennsylvania. As a result of this concentration, a downturn in this market area could cause significant increases in nonperforming loans, which would reduce our profits. Additionally, a decrease in asset quality could require additions to our allowance for loan losses through increased provisions for loan losses, which would hurt our profits. In recent years, there have been significant increases in real estate values in our market area. As a result of rising home prices, our loans have been well collateralized. A decline in real estate values could cause some of our mortgage loans to become inadequately collateralized, which would expose us to a greater risk of loss. For a discussion of our market area, see Business of ESSA Bank & Trust Market Area.

Our Continued Emphasis On Commercial Real Estate Lending Could Expose Us To Increased Lending Risks.

Our business strategy centers on continuing our emphasis on commercial real estate lending. We have grown our loan portfolio in recent years with respect to this type of loan and intend to continue to emphasize this type of lending. At September 30, 2006, $47.5 million, or 8.5%, of our total loan portfolio consisted of commercial real estate loans. Loans secured by commercial real estate generally expose a lender to greater risk of non-payment and loss than one- to four-family residential mortgage loans because repayment of the loans often depends on the successful operation of the property and the income stream of the underlying property. Additionally, such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential mortgage loans. Accordingly, an adverse development with respect to one loan or one credit relationship can expose us to greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan. We seek to minimize these risks through our underwriting policies, which require such loans to be qualified on the basis of the property s collateral value, net income and debt service ratio; however, there is no assurance that our underwriting policies will protect us from credit-related losses.

At September 30, 2006, our largest commercial real estate lending relationship was a $2.8 million loan located in Monroe County, Pennsylvania and secured by real estate. See Business of ESSA Bank & Trust Lending Activities Commercial Real Estate Loans.

Strong Competition Within Our Market Areas May Limit Our Growth and Profitability.

Competition in the banking and financial services industry is intense. In our market areas, we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, and brokerage and investment banking firms operating locally and elsewhere. Some of our competitors have greater name recognition and market presence that benefit them in attracting business, and offer certain services that we do not or cannot provide. In addition, larger competitors may be able to price loans and deposits more aggressively than we do, which could affect our ability to grow and remain profitable on a long-term basis. Our profitability depends upon our continued ability to successfully compete in our market areas. For additional information see Business of ESSA Bank & Trust Competition.

If Our Allowance for Loan Losses is Not Sufficient to Cover Actual Loan Losses, Our Earnings Will Decrease.

We make various assumptions and judgments about the collectibility of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and we evaluate economic conditions. If our assumptions are incorrect, our allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio, resulting in additions to our allowance. While our allowance for loan losses was 0.69% of total loans at September 30, 2006, material additions to our allowance could materially decrease our net income.

In addition, bank regulators periodically review our allowance for loan losses and may require us to increase our provision for loan losses or recognize further loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs as required by these regulatory authorities might have a material adverse effect on our financial condition and results of operations.

The Federal Deposit Insurance Corporation has Issued New Rules on How it Imposes Deposit Insurance Assessments that Will Increase Our Deposit Insurance Assessments and Will Reduce Our Income.

Under its current rules, the Federal Deposit Insurance Corporation does not impose a deposit insurance assessment on financial institutions, such as ESSA Bank & Trust, that are, among other criteria, well-capitalized. On November 2, 2006, the Federal Deposit Insurance Corporation adopted final regulations establishing a risk-based assessment system that will enable the Federal Deposit Insurance Corporation to more closely tie each financial institution s premiums to the risk it poses to the deposit insurance fund. Under the new risk-based assessment system, which becomes effective in the beginning of 2007, the Federal Deposit Insurance Corporation will evaluate the risk of each financial institution based on three primary sources of information: (1) its supervisory rating, (2) its financial ratios, and (3) its long-term debt issuer rating, if the institution has one. The new rates for nearly all of the financial

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institution industry will vary between five and seven cents for every $100 of domestic deposits. Once effective, this increased assessment may reduce our income.

Risks Related to the Stock Offering

The Future Price of the Shares of Common Stock May Be Less Than the Purchase Price in the Stock Offering.

We cannot assure you that if you purchase shares of common stock in the stock offering you will later be able to sell them at or above the purchase price in the stock offering. The purchase price in the offering is determined by an independent, third-party appraisal, pursuant to federal banking regulations and subject to review and approval by the Office of Thrift Supervision. The appraisal is not intended, and should not be construed, as a recommendation of any kind as to the advisability of purchasing shares of common stock. The Office of Thrift Supervision attempts to ensure that the aftermarket appreciation of standard conversion stocks is not excessive. In recent years, the final independent valuation as approved by the Office of Thrift Supervision has been at the adjusted maximum of the offering range as long as total subscriptions have exceed the adjusted maximum of the offering range. However, the adjusted maximum of the offering range is approximately 30.0% higher than the fair market value of a company as determined by the independent appraisal. Our aggregate pro forma market value as reflected in the final, approved independent appraisal may exceed the market price of our shares of common stock after the completion of the offering, which may result in our stock trading below the initial offering price of $10.00 per share.

We Will Need to Implement Additional Finance and Accounting Systems, Procedures and Controls in Order to Satisfy Our New Public Company Reporting Requirements.

Upon completion of the stock offering, we will become a public reporting company. The federal securities laws and regulations of the Securities and Exchange Commission require that we file annual, quarterly and current reports and that we maintain effective disclosure controls and procedures and internal controls over financial reporting. We expect that the obligations of being a public company, including substantial public reporting obligations, will require significant expenditures and place additional demands on our management team. These obligations will increase our operating expenses and could divert our management s attention from our operations. Compliance with the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the Securities and Exchange Commission will require us to certify the adequacy of our internal controls and procedures, which could require us to upgrade our systems, and/or hire additional staff which will increase our operating costs.

Our Return on Equity Will Be Low Compared to Other Financial Institutions. This Could Negatively Affect the Trading Price of Our Shares of Common Stock.

Net income divided by average equity, known as return on equity, is a ratio many investors use to compare the performance of a financial institution to its peers. For the fiscal year ended September 30, 2006, our return on average equity was 7.0%, compared to the median return on average equity of 6.2% for all publicly traded savings institutions. Following the stock offering, we expect our consolidated equity to increase from $58.3 million to between $138.8 million at the minimum of the offering range and $183.1 million at the adjusted maximum of the offering range. We expect our return on equity to remain below the industry average until we are able to leverage the additional capital we receive from the stock offering. Our return on equity will be reduced by the capital raised in the stock offering, higher expenses from the costs of being a public company, and added expenses associated with our employee stock ownership plan and the stock-based incentive plan we intend to adopt. Until we can increase our net interest income and non-interest income, we expect our return on equity to be below the industry average, which may reduce the value of our shares of common stock.

The Contribution of Shares to the Charitable Foundation Will Dilute Your Ownership Interests and Adversely Affect Net Income in Fiscal 2007.

We intend to establish a charitable foundation in connection with the stock offering. We will make a contribution to the charitable foundation in the form of shares of ESSA Bancorp, Inc. common stock and up to $1.5 million in cash. At the midpoint of the offering range, we will contribute 770,000 shares of common stock to the charitable foundation, which equals 7.0% of the shares of common stock sold in the stock offering and $1.1 million in cash, which represents 1.0% of the shares of common stock sold in the stock offering. The aggregate contribution will also have an adverse effect on our net income for the quarter and year in which we make the issuance and contribution to the charitable foundation. The after-tax expense of the contribution will reduce net income in our 2007 fiscal year by approximately $6.9 million at the midpoint of the offering range. Persons purchasing shares in the stock offering will have their ownership and voting interests in ESSA Bancorp, Inc. diluted by 6.5% due to the issuance of shares of common stock to the charitable foundation.

Our Contribution to the Charitable Foundation May Not Be Tax Deductible, Which Could Reduce Our Profits.

We believe that at least a portion of the contribution to the ESSA Bank & Trust Foundation will be deductible for federal income tax purposes. However, we cannot assure you that the Internal Revenue Service will grant tax-exempt status to the charitable foundation. If the contribution is not deductible, we would not receive any tax benefit from the contribution. In addition, even if the contribution is tax deductible, we are permitted to deduct only up to 10% of our taxable income for federal income tax purposes before charitable contributions. We are permitted under the Internal Revenue Code to carry the excess contribution over the five-year period following the contribution to our charitable foundation. Accordingly, we may not have sufficient profits to be able to use the deduction fully.

Our Stock-Based Benefit Plans Will Increase Our Costs, Which Will Reduce Our Income.

We anticipate that our employee stock ownership plan will purchase 8.0% of the total shares of common stock outstanding following the stock offering, including shares issued to the ESSA Bank & Trust Foundation, with funds borrowed from ESSA Bancorp, Inc. The cost of acquiring the shares of common stock for the employee stock ownership plan will be between $8.0 million at the minimum of the offering range and $12.5 million at the adjusted maximum of

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the offering range. We will record annual employee stock ownership plan expense in an amount equal to the fair value of shares of common stock committed to be released to employees. If shares of common stock appreciate in value over time, compensation expense relating to the employee stock ownership plan will increase.

We also intend to adopt a stock-based incentive plan after the stock offering under which plan participants would be awarded shares of our common stock (at no cost to them) or options to purchase shares of our common stock. The number of shares of restricted stock or stock options reserved for issuance under any initial stock-based incentive plan may not exceed 4.0% and 10.0%, respectively, of our total outstanding shares, including shares issued to the ESSA Bank & Trust Foundation, if these plans are adopted within one year at the completion of the conversion. Assuming the market price of the common stock is $10.00 per share; the options are granted with an exercise price of $10.00 per share; the dividend yield on the stock is 0%; the expected option life is ten years; the risk free interest rate is 4.64% (based on the ten-year Treasury rate) and the volatility rate on the shares of common stock is 11.32% (based on an index of publicly traded thrift institutions), the estimated grant-date fair value of the options utilizing a Black-Scholes option pricing analysis is $3.84 per option granted. Assuming this value is amortized over a five-year vesting period, the corresponding annual expense (pre-tax) associated with the stock options would be approximately $1.2 million at the adjusted maximum. In addition, assuming that all shares of restricted stock are awarded at a price of $10.00 per share, and that the awards vest over a five-year period, the corresponding annual expense (pre-tax) associated with shares awarded under the stock-based incentive plan would be approximately $1.2 million at the adjusted maximum. However, if we grant shares of stock or options in excess of these amounts, such grants would increase our costs further.

The shares of restricted stock granted under the stock-based incentive plan will be expensed by us over their vesting period at the fair market value of the shares on the date they are awarded. If the shares of restricted stock to be granted under the plan are repurchased in the open market (rather than issued directly from authorized but unissued shares by ESSA Bancorp, Inc.) and cost the same as the purchase price in the stock offering, the reduction to stockholders equity due to the plan would be between $4.0 million at the minimum of the offering range and $6.2 million at the adjusted maximum of the offering range. To the extent we repurchase shares of common stock in the open market to fund the grants of shares under the plan, and the price of such shares exceeds the offering price of $10.00 per share, the reduction to stockholders equity would exceed the range described above. Conversely, to the extent the price of such shares is below the offering price of $10.00 per share, the reduction to stockholders equity would be less than the range described above.

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The Implementation of Stock-Based Incentive Plans Will Dilute Your Ownership Interest.

We intend to adopt a stock-based incentive plan following the stock offering. This stock-based incentive plan will be funded through either open market purchases of shares of common stock, if permitted, or from the issuance of authorized but unissued shares of common stock. Stockholders would experience a reduction in ownership interest totaling 12.3% in the event newly issued shares are used to fund stock options or awards of shares of common stock under the plan in an amount equal to 10% and 4%, respectively, of the shares issued in the stock offering, including shares issued to the ESSA Bank & Trust Foundation.

We Have Broad Discretion in Using the Proceeds of the Stock Offering. Our Failure to Effectively Use Such Proceeds Could Hurt Our Profits.

We will use a portion of the net proceeds to finance the purchase of shares of common stock in the stock offering by the employee stock ownership plan and may use the remaining net proceeds to pay dividends to stockholders, repurchase shares of common stock, purchase investment securities, deposit funds in ESSA Bank & Trust, acquire other financial services companies or for other general corporate purposes. ESSA Bank & Trust may use the proceeds it receives to fund new loans, establish or acquire new branches, purchase investment securities, reduce a portion of our borrowings, or for general corporate purposes. In addition, we intend to expand our presence within and contiguous to our primary market area through *de novo* branching, which may negatively impact our earnings until these branches achieve profitability. We have not, however, identified specific amounts of proceeds for any of these purposes and we will have significant flexibility in determining the amount of net proceeds we apply to different uses and the timing of such applications. Our failure to utilize these funds effectively could reduce our profitability. We have not established a timetable for the effective deployment of the proceeds and we cannot predict how long we will require to effectively deploy the proceeds.

Our Stock Value May be Negatively Affected by Federal Regulations That Restrict Takeovers.

For three years following the stock offering, Office of Thrift Supervision regulations prohibit any person from acquiring or offering to acquire more than 10% of our common stock without the prior written approval of the Office of Thrift Supervision. See Restrictions on Acquisition of ESSA Bancorp, Inc. for a discussion of applicable Office of Thrift Supervision regulations regarding acquisitions.

The Corporate Governance Provisions in our Articles of Incorporation and Bylaws and the Corporate Governance Provisions Under Pennsylvania Law May Prevent or Impede the Holders of Our Common Stock From Obtaining Representation on Our Board of Directors.

Provisions in our Articles of Incorporation and Bylaws may prevent or impede holders of our common stock from obtaining representation on our Board of Directors. For example, our Board of Directors is divided into three staggered classes. A classified board makes it more difficult for stockholders to change a majority of the directors because it generally takes at least

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two annual elections of directors for this to occur. ESSA Bancorp, Inc. s Articles of Incorporation includes a provision that no person will be entitled to vote any shares of common stock of ESSA Bancorp, Inc. in excess of 10% of the outstanding shares of common stock of ESSA Bancorp, Inc. This limitation does not apply to the purchase of shares by a tax-qualified employee stock benefit plan of ESSA Bancorp, Inc. or ESSA Bank & Trust.

Provisions of the Pennsylvania Business Corporation Law applicable to ESSA Bancorp, Inc. provide among other things, that ESSA Bancorp, Inc. may not engage in a business combination with an interested shareholder during the five-year period after the interested shareholder became such except under certain specified circumstances. An interested shareholder is generally a holder of 20% or more of a company s voting stock. The Pennsylvania Business Corporation Law also contains provisions providing for the ability of shareholders to object to the acquisition by a person or group of persons acting in concert of 20% or more of its outstanding voting securities and to demand that they be paid a cash payment for the fair value of their shares from the controlling person or group. In addition, there are various regulatory restrictions on acquisitions of ESSA Bancorp, Inc. See Restrictions on Acquisition of ESSA Bancorp, Inc. at page 133.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables set forth selected consolidated historical financial and other data of ESSA Bank & Trust and its subsidiaries for the years and at the dates indicated. The information at September 30, 2006 and 2005 and for the years ended September 30, 2006, 2005 and 2004 is derived in part from, and should be read together with, the audited consolidated financial statements and notes thereto of ESSA Bank & Trust beginning at page F-2 of this prospectus. The information at September 30, 2006, 2005 and 2004 and for the ten months ended September 30, 2003 and for the year ended November 30, 2002 is derived in part from audited consolidated financial statements that are not included in this prospectus.

	At September 30, 2006	At September 30, 2005	At September 30, 2004 (In thousands)	At September 30, 2003	At November 30, 2002
Selected Financial Condition Data:					
Total assets	$ 725,796	$ 656,066	$ 592,824	$ 533,606	$ 468,055
Cash and cash equivalents	12,730	20,290	21,458	43,087	27,617
Investment securities:					
Available for sale	89,122	62,506	45,074	22,986	27,301
Held to maturity	19,715	21,505	10,263	3,918	6,095
Loans, net	556,677	508,981	477,956	438,539	390,542
FHLB stock	13,675	11,916	11,358	9,187	5,304
Premises and equipment	11,447	11,560	11,444	10,547	6,223
Bank owned life insurance	13,376	12,864	10,369		
Deposits	402,153	374,759	333,201	319,283	315,406
Borrowed funds	259,299	221,479	205,134	160,920	104,850
Equity	58,337	54,371	50,260	46,381	42,219

	For the Year Ended September 30, 2006	For the Year Ended September 30, 2005	For the Year Ended September 30, 2004 (In thousands)	For the Ten Months Ended September 30, 2003	For the Year Ended November 30, 2002
Selected Data:					
Interest income	$ 36,451	$ 31,919	$ 28,810	$ 24,743	$ 29,065
Interest expense	19,217	14,323	11,933	9,372	12,220
Net interest income	17,234	17,596	16,877	15,371	16,845
Provision for loan losses	300	550	530	430	900
Net interest income after provision for loan losses	16,934	17,046	16,347	14,941	15,945
Non-interest income	5,518	5,281	4,280	2,976	3,477
Non-interest expense	16,685	16,493	15,540	12,080	12,408
Income before income tax expense	5,767	5,834	5,087	5,837	7,014
Income tax expense	1,813	1,383	1,172	1,681	2,314
Net income	$ 3,954	$ 4,451	$ 3,915	$ 4,156	$ 4,700

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	At or For the Year Ended September 30, 2006	At or For the Year Ended September 30, 2005	At or For the Year Ended September 30, 2004	At or For the Ten Months Ended September 30, 2003	At or For the Year Ended November 30, 2002
Selected Financial Ratios and Other Data:					
Performance Ratios:					
Return on average assets	0.58%	0.72%	0.71%	0.84%	1.08%
Return on average equity	6.96%	8.42%	8.20%	9.46%	11.98%
Interest rate spread (1)	2.46%	2.85%	3.10%	3.08%	3.81%
Net interest margin (2)	2.70%	3.04%	3.28%	3.28%	4.07%
Efficiency ratio (3)	73.33%	72.09%	73.45%	65.84%	61.06%
Noninterest expense to average total assets	2.45%	2.67%	2.82%	2.45%	2.84%
Average interest-earning assets to average interest-bearing liabilities	108.00%	107.69%	107.70%	109.89%	108.70%
Asset Quality Ratios:					
Non-performing assets as a percent of total assets	0.09%	0.10%	0.12%	0.14%	0.16%
Non-performing loans as a percent of total loans	0.11%	0.12%	0.12%	0.12%	0.17%
Allowance for loan losses as a percent of non-performing loans	618.78%	588.93%	518.32%	478.82%	321.01%
Allowance for loan losses as a percent of total loans	0.69%	0.70%	0.63%	0.57%	0.55%
Capital Ratios:					
Total risk-based capital (to risk weighted assets)	15.77%	15.55%	16.05%	16.86%	17.52%
Tier 1 risk-based capital (to risk weighted assets)	14.79%	14.59%	15.14%	15.99%	16.67%
Tangible capital (to tangible assets)	8.06%	8.30%	8.46%	8.66%	9.00%
Tier 1 leverage (core) capital (to adjusted tangible assets)	8.06%	8.30%	8.49%	8.66%	9.00%
Average equity to average total assets	8.36%	8.55%	8.67%	8.92%	8.99%
Other Data:					
Number of full service offices	12	12	12	12	12

(1) 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.

(3) The efficiency ratio represents non-interest expense divided by the sum of net interest income and non-interest income.

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FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, which can be identified by the use of words such as estimate, project, believe, intend, anticipate, plan, seek, expect, will, may and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, 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 based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this prospectus.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- 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;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate acquired entities;
- changes in consumer spending, borrowing and savings habits;

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changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission and the Public Company Accounting Oversight Board;

changes in our organization, compensation and benefit plans;

adverse developments concerning Fannie Mae or Freddie Mac and changes in market interest rates affecting the value of the Fannie Mae and Freddie Mac floating rate preferred stocks in our investment securities portfolio;

changes in our financial condition or results of operations that reduce capital available to pay dividends;

regulatory changes or actions; and

changes in the financial condition or future prospects of issuers of securities that we own.

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 see Risk Factors beginning on page 18.

HOW WE INTEND TO USE THE PROCEEDS FROM THE OFFERING

Although we cannot determine what the actual net proceeds from the sale of the shares of common stock in the offering will be until the offering is completed, we anticipate that the net proceeds will be between $91.5 million and $124.2 million, or $143.1 million if the offering range is increased by 15%. We estimate that we will contribute to ESSA Bank & Trust between $45.7 million and $62.1 million, or $71.5 million if the offering range is increased by 15%. We intend to retain at the holding company between $45.7 million and $62.1 million of the net proceeds, or $71.5 million if the offering range is increased by 15%, to be used for the purposes described below.

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A summary of the anticipated net proceeds at the minimum, midpoint, maximum and adjusted maximum of the offering range and the use of the net proceeds is as follows:

	Based Upon the Sale at $10.00 Per Share of							
	9,350,000 Shares		11,000,000 Shares		12,650,000 Shares		14,547,500 Shares (1)	
	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds
	(Dollars in thousands)							
Stock offering proceeds	$ 93,500		$ 110,000		$ 126,500		$ 145,475	
Less offering expenses	2,017		2,168		2,290		2,420	
Net offering proceeds	$ 91,483	100.0%	$ 107,832	100.0%	$ 124,210	100.0%	$ 143,055	100.0%
Use of net proceeds:								
To ESSA Bank & Trust	$ 45,742	50.0%	$ 53,916	50.0%	$ 62,105	50.0%	$ 71,528	50.0%
To fund loan to employee stock ownership plan	8,004	8.7	9,416	8.7	10,828	8.7	12,453	8.7
Retained by ESSA Bancorp, Inc.	$ 37,738	41.3%	$ 44,500	41.3%	$ 51,277	41.3%	$ 59,075	41.3%

(1) As adjusted to give effect to an increase in the number of shares which could occur due to a 15% increase in the offering range to reflect demand for the shares, changes in market or general financial conditions following the commencement of the offering, or regulatory considerations.

Payments for shares of common stock made through withdrawals from existing deposit accounts will not result in the receipt of new funds for investment but will result in a reduction of ESSA Bank & Trust s deposits. The net proceeds may vary because the total expenses relating to the offering may be more or less than our estimates. For example, our expenses would increase if a syndicated community offering were used to sell shares of common stock not purchased in the subscription and community offerings.

ESSA Bancorp, Inc. May Use the Proceeds it Retains From the Offering:

to fund a loan to the employee stock ownership plan to purchase shares of common stock in the offering (between $8.0 million and $10.8 million, or $12.5 million if the offering is increased by 15%);

to invest in debt securities issued by the United States government and United States government-sponsored agencies or entities;

to finance the acquisition of financial institutions, branches or other financial service companies;

to pay cash dividends to stockholders;

to repurchase shares of our common stock; and

for other general corporate purposes.

Initially, we intend to invest a substantial portion of the net proceeds in short-term investments, investment-grade debt obligations and mortgage-backed securities.

Under current Office of Thrift Supervision regulations, we may not repurchase shares of our common stock during the first year following the conversion, except when extraordinary circumstances exist and with prior regulatory approval.

ESSA Bank & Trust May Use the Net Proceeds it Receives From the Offering:

- to expand its retail and commercial banking franchise by acquiring or establishing new branches, or by acquiring other financial institutions or other financial services companies;
- to fund new loans, including residential first mortgage loans, commercial loans, commercial real estate and home equity loans and lines of credit;
- to enhance existing products and services and to support new products and services;
- to reduce a portion of our existing borrowings;
- to invest in debt securities issued by the United States government and United States government-sponsored agencies or entities; and
- for other general corporate purposes.

Our short-term and long-term growth plans anticipate that, upon completion of the offering, we will experience measured growth through increased lending and investment activities, *de novo* branching and, possibly, acquisitions, with a particular emphasis on attempting to stimulate internal loan growth. We plan to explore acquisition opportunities involving other banks and thrifts, and possibly financial service companies, when and as they arise as a means of supplementing internal growth. We may also consider establishing *de novo* branches or acquiring financial institutions in our market area and contiguous counties.

We have no current arrangements or agreements to acquire other banks, thrifts or financial service companies. We have received regulatory approval to open a new branch office in Tannersville, Pennsylvania which we anticipate opening in May 2007. There can be no assurance that we will be able to consummate any acquisition or establish any other new branches.

Initially, the net proceeds will be invested in short-term investments, investment-grade debt obligations and mortgage-backed securities.

OUR POLICY REGARDING DIVIDENDS

Following completion of the stock offering, our Board of Directors will have the authority to declare dividends on our shares of common stock, subject to statutory and regulatory requirements. However, no decision has been made with respect to the payment of dividends. In determining whether and in what amount to pay a cash dividend, the Board is expected to take into account a number of factors, including capital requirements, our consolidated financial condition and results of operations, tax considerations, statutory and regulatory limitations and general economic conditions. No assurances can be given that any dividends will be paid or that, if paid, will not be reduced or eliminated in the future. Special cash dividends, stock dividends or returns of capital, to the extent permitted by Office of Thrift Supervision policy and regulations, may be paid in addition to, or in lieu of, regular cash dividends. We will file a consolidated tax return with ESSA Bank & Trust. Accordingly, it is anticipated that any cash distributions made by ESSA Bancorp, Inc. to its stockholders would be treated as cash dividends and not as a non-taxable return of capital for federal and state tax purposes.

Pursuant to our Articles of Incorporation, we are authorized to issue preferred stock. If we issue preferred stock, the holders thereof may have a priority over the holders of our shares of common stock with respect to the payment of dividends. For a further discussion concerning the payment of dividends on our shares of common stock, see Description of Capital Stock Common Stock. Dividends we can declare and pay will depend, in part, upon receipt of dividends from ESSA Bank & Trust, because initially we will have no source of income other than dividends from ESSA Bank & Trust, earnings from the investment of proceeds from the sale of shares of common stock, and interest payments received in connection with the loan to the employee stock ownership plan. A regulation of the Office of Thrift Supervision imposes limitations on capital distributions by savings institutions. See Regulation Dividends. See Regulation by the Pennsylvania Department of Banking Dividends for a discussion of Pennsylvania regulations regarding dividends.

Any payment of dividends by ESSA Bank & Trust to us that would be deemed to be drawn out of ESSA Bank & Trust s bad debt reserves would require a payment of taxes at the then-current tax rate by ESSA Bank & Trust on the amount of earnings deemed to be removed from the reserves for such distribution. ESSA Bank & Trust does not intend to make any distribution to us that would create such a federal tax liability. See Federal Taxation and State Taxation.

Additionally, pursuant to Office of Thrift Supervision regulations, during the three-year period following the stock offering, we will not take any action to declare an extraordinary dividend to stockholders that would be treated by recipients as a tax-free return of capital for federal income tax purposes.

MARKET FOR THE COMMON STOCK

ESSA Bancorp, Inc. has never issued capital stock and there is no established market for it. Shares of our common stock have been approved for trading on the Nasdaq Global Market under the symbol ESSA, subject to completion of the offering and compliance with certain conditions, including the presence of at least three registered and active market makers. Ryan Beck & Co., Inc. has advised us that it intends to make a market in shares of our common stock following the offering, but it is under no obligation to do so or to continue to do so once it begins. While we will attempt before completion of the offering to obtain commitments from at least two other broker-dealers to make a market in shares of our common stock, there can be no assurance that we will be successful in obtaining such commitments.

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The development and maintenance of a public market, having the desirable characteristics of depth, liquidity and orderliness, depends on the existence of willing buyers and sellers, the presence of which is not within our control or that of any market maker. The number of active buyers and sellers of shares of our common stock at any particular time may be limited, which may have an adverse effect on the price at which shares of our common stock can be sold. There can be no assurance that persons purchasing the shares of common stock will be able to sell their shares at or above the $10.00 offering purchase price per share. You should have a long-term investment intent if you purchase shares of our common stock and you should recognize that there may be a limited trading market in the shares of common stock.

HISTORICAL AND PRO FORMA REGULATORY CAPITAL COMPLIANCE

At September 30, 2006, ESSA Bank & Trust exceeded all of the applicable regulatory capital requirements. The table below sets forth the historical equity capital and regulatory capital of ESSA Bank & Trust at September 30, 2006, and the pro forma regulatory capital of ESSA Bank & Trust, after giving effect to the sale of shares of common stock at a $10.00 per share purchase price. The table assumes the receipt by ESSA Bank & Trust of between $45.7 million and $71.5 million of the net offering proceeds.

	ESSA Bank & Trust Historical at September 30, 2006		Pro Forma at September 30, 2006, Based Upon the Sale in the Offering of							
			9,350,000 Shares		11,000,000 Shares		12,650,000 Shares		14,547,500 Shares (1)	
	Amount	Percent of Assets (2)	Amount	Percent of Assets (2)	Amount	Percent of Assets (2)	Amount	Percent of Assets (2)	Amount	Percent of Assets (2)
					(Dollars in thousands)					
Equity capital	$ 58,337	8.04%	$ 92,073	12.00%	$ 98,129	12.66%	$ 104,199	13.32%	$ 111,186	14.05%
Tangible capital	$ 58,333	8.06%	$ 92,069	12.02%	$ 98,125	12.69%	$ 104,195	13.34%	$ 111,182	14.08%
Tangible requirement	10,859	1.50	11,488	1.50	11,600	1.50	11,713	1.50	11,842	1.50
Excess	$ 47,474	6.56%	$ 80,581	10.52%	$ 86,525	11.19%	$ 92,482	11.84%	$ 99,340	12.58%
Core capital	$ 58,333	8.06%	$ 92,069	12.02%	$ 98,125	12.69%	$ 104,195	13.34%	$ 111,182	14.08%
Core requirement (3)	28,959	4.00	30,635	4.00	30,934	4.00	31,234	4.00	31,578	4.00
Excess	$ 29,374	4.06%	$ 61,434	8.02%	$ 67,191	8.69%	$ 72,961	9.34%	$ 79,604	10.08%
Total risk-based capital (4)	$ 62,212	15.77%	$ 95,948	23.82%	$ 102,004	25.23%	$ 108,074	26.63%	$ 115,061	28.23%
Risk-based requirement	31,557	8.00	32,224	8.00	32,344	8.00	32,464	8.00	32,601	8.00
Excess	$ 30,655	7.77%	$ 63,724	15.82%	$ 69,660	17.23%	$ 75,610	18.63%	$ 82,460	20.23%

(1) As adjusted to give effect to an increase in the number of shares which could occur due to a 15% increase in the offering range to reflect demand for the shares, changes in market or general financial conditions following the commencement of the offering or regulatory considerations.

(2) Tangible and core capital levels are shown as a percentage of total adjusted assets. Risk-based capital levels are shown as a percentage of risk-weighted assets.

(3) The current Office of Thrift Supervision core capital requirement for financial institutions is 3% of total adjusted assets for financial institutions that receive the highest supervisory rating for safety and soundness and a 4% to 5% core capital ratio requirement for all other financial institutions.

(4) Pro forma amounts and percentages assume net proceeds are invested in assets that carry a 20% risk weighting.

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CAPITALIZATION

The following table presents the historical consolidated capitalization of ESSA Bank & Trust, at September 30, 2006 and the pro forma consolidated capitalization of ESSA Bancorp, Inc., a Pennsylvania corporation, after giving effect to the conversion and the offering, based upon the assumptions set forth in the Pro Forma Data section.

	ESSA Bank & Trust Historical at September 30, 2006	Pro Forma, Based Upon the Sale in the Offering of			
		9,350,000 Shares	11,000,000 Shares	12,650,000 Shares	14,547,500 Shares (1)
			(Dollars in thousands)		
Deposits (2)	$ 402,153	$ 402,153	$ 402,153	$ 402,153	$ 402,153
Borrowings	259,299	259,299	259,299	259,299	259,299
Total deposits and borrowed funds	$ 661,452	$ 661,452	$ 661,452	$ 661,452	$ 661,452
Stockholders equity:					
Preferred stock, $0.01 par value, 10,000,000 shares authorized; none to be issued					
Common stock $0.01 par value, 40,000,000 shares authorized; shares to be issued as reflected (3)	0	100	118	135	156
Additional paid-in capital	0	97,928	115,414	132,930	153,082
Retained earnings (4)	58,526	58,526	58,526	58,526	58,526
Less:					
Expense of stock contribution to Foundation		(6,545)	(7,700)	(8,855)	(10,183)
Expense of cash contribution to Foundation		(935)	(1,100)	(1,265)	(1,455)
Plus:					
Tax benefit of contribution to Foundation (5)		1,880	1,880	1,880	1,880
Accumulated other comprehensive loss	(189)	(189)	(189)	(189)	(189)
Less:					
Common stock to be acquired by employee stock ownership plan (6)		(8,004)	(9,416)	(10,828)	(12,453)
Common stock to be acquired by stock recognition and retention plan (7)		(4,002)	(4,708)	(5,414)	(6,226)
Total stockholders equity	$ 58,337	$ 138,760	$ 152,825	$ 166,920	$ 183,138
Total stockholders equity as a percentage of total assets	8.04%	17.21%	18.63%	20.01%	21.53%

(1) As adjusted to give effect to an increase in the number of shares of common stock which could occur due to a 15% increase in the offering range to reflect demand for shares, changes in market or general financial conditions following the commencement of the subscription and community offerings or regulatory considerations.

(2) Does not reflect withdrawals from deposit accounts for the purchase of shares of common stock in the conversion and offering. These withdrawals would reduce pro forma deposits by the amount of the withdrawals.

(3) No effect has been given to the issuance of additional shares of ESSA Bancorp, Inc. common stock pursuant to a stock option plan. If this plan is implemented, an amount up to 10% of the shares of ESSA Bancorp, Inc. common stock sold in the offering will be reserved for issuance upon the exercise of options under the stock option plan. See Management of ESSA Bancorp, Inc.

(4) The retained earnings of ESSA Bank & Trust will be substantially restricted after the conversion. See Our Policy Regarding Dividends, The Conversion Liquidation Rights and Regulation.

(5) Includes valuation allowance against deferred tax asset of $663,000, $1.1 million, $1.6 million and $2.1 million at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively.

(6) Assumes that 8.0% of the shares sold in the offering will be acquired by the employee stock ownership plan financed by a loan from ESSA Bancorp, Inc. The loan will be repaid principally from ESSA Bank & Trust s contributions to the employee stock ownership plan. Since ESSA Bancorp, Inc. will finance the employee stock ownership plan debt, this debt will be eliminated through consolidation and no liability will be reflected on ESSA Bancorp, Inc. s consolidated financial statements. Accordingly, the amount of shares of common stock acquired by the employee stock ownership plan is shown in this table as a reduction of total stockholders equity.

(7) Assumes a number of shares of common stock equal to 4% of the shares of common stock to be sold in the offering will be purchased by the stock recognition and retention plan in open market purchases. The dollar amount of common stock to be purchased is based on the $10.00 per share subscription price in the offering and represents unearned compensation. This amount does not reflect possible increases or decreases in the value of common stock relative to the subscription price in the offering. As ESSA Bancorp, Inc. accrues compensation expense to reflect the vesting of shares pursuant to the stock recognition and retention plan, the credit to equity will be offset by a charge to noninterest expense. Implementation of the stock recognition and retention plan will require stockholder approval. The funds to be used by the stock recognition and retention plan to purchase the shares will be provided by ESSA Bancorp, Inc.

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PRO FORMA DATA

The following tables summarize historical data of ESSA Bank & Trust and pro forma data of ESSA Bancorp, Inc. at and for the year ended September 30, 2006. This information is based on assumptions set forth below and in the table, and should not be used as a basis for projections of market value of the shares of common stock following the conversion and offering.

The net proceeds in the tables are based upon the following assumptions:

- all shares of common stock will be sold in the subscription and community offerings;
- 427,000 shares of common stock will be purchased by our executive officers and directors, and their associates;
- our employee stock ownership plan will purchase 8% of the shares of common stock sold in the stock offering and contributed to our charitable foundation with a loan from ESSA Bancorp, Inc. The loan will be repaid in substantially equal payments of principal and interest over a period of 30 years;
- Ryan Beck & Co., Inc. will receive a fee equal to 1% of the dollar amount of the first 10,000,000 shares of common stock sold in the stock offering and 0.75% of the dollar value of all shares of common stock sold thereafter in the stock offering. Shares issued to the charitable foundation or purchased by our employee benefit plans or by our officers, directors and employees, and their immediate families will not be included in calculating the shares of common stock sold, for this purpose; and
- total expenses of the stock offering, including the marketing fees to be paid to Ryan Beck & Co., Inc., will be between $2.0 million at the minimum of the offering range and $2.4 million at the adjusted maximum of the offering range.

We calculated pro forma consolidated net income for the fiscal year ended September 30, 2006 as if the estimated net proceeds we received had been invested at an assumed interest rate of 4.91% (3.24% on an after-tax basis). This represents the one-year U.S. Treasury Bill as of September 30, 2006, which we consider to more accurately reflect the pro forma reinvestment rate than an arithmetic average method in light of current market interests rates.

The following pro forma information may not be representative of the financial effects of the foregoing transactions at the dates on which such transactions actually occur, and should not be taken as indicative of future results of operations. Pro forma consolidated stockholders equity represents the difference between the stated amounts of our assets and liabilities. The pro forma stockholders equity is not intended to represent the fair market value of the shares of common stock. The effect of withdrawals from deposit accounts for the purchase of shares of

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common stock has not been reflected. Historical and pro forma per share amounts have been calculated by dividing historical and pro forma amounts by the indicated number of shares of common stock. No effect has been given in the pro forma stockholders equity calculations for the assumed earnings on the net proceeds. It is assumed that ESSA Bancorp, Inc. will loan funds to the employee stock ownership plan, between $8.0 million and $10.8 million of the estimated net proceeds in the offering, or $12.5 million if the offering range is increased by 15%. The actual net proceeds from the sale of shares of common stock will not be determined until the offering is completed. However, we currently estimate the net proceeds to be between $91.5 million and $124.2 million, or $143.1 million if the offering range is increased by 15%. It is assumed that all shares of common stock will be sold in the subscription and community offerings.

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	At or For the Year Ended September 30, 2006			
	Based Upon the Sale at $10.00 Per Share of			
	9,350,000 Shares at Minimum Offering Range	11,000,000 at Midpoint Offering Range 11,000,000	12,650,000 at Maximum Offering Range	14,547,500 at Adjusted Maximum of Offering Range (1)
	(Dollars in thousands, except per share amounts)			
Gross proceeds of Offering	$ 93,500	$ 110,000	$ 126,500	$ 145,475
Plus: Shares Issued to the Foundation	6,545	7,700	8,855	10,183
Pro Forma Market Capitalization	$ 100,045	$ 117,700	$ 135,355	$ 155,658
Gross Proceeds of Offering	93,500	110,000	126,500	145,475
Less Expenses	(2,017)	(2,168)	(2,290)	(2,420)
Estimated net proceeds	$ 91,483	$ 107,832	$ 124,210	$ 143,055
Less: Cash Contribution to Foundation	(935)	(1,100)	(1,265)	(1,455)
Less: Common stock purchased by ESOP (2)	(8,004)	(9,416)	(10,828)	(12,453)
Less: Common stock purchased by stock award plan (3)	(4,002)	(4,708)	(5,414)	(6,226)
Estimated net cash proceeds	$ 78,542	$ 92,608	$ 106,702	$ 122,921
For the 12 Months Ended September 30, 2006				
Consolidated net income:				
Historical	$ 3,954	$ 3,954	$ 3,954	$ 3,954
Pro forma income on net proceeds:	2,545	3,001	3,458	3,983
Pro forma ESOP adjustment(2)	(176)	(207)	(238)	(274)
Pro forma stock award adjustment (3)	(528)	(621)	(715)	(822)
Pro forma stock options adjustment (4)	(703)	(827)	(951)	(1,094)
Pro forma net income	$ 5,092	$ 5,300	$ 5,508	$ 5,747
Per share net income				
Historical	$ 0.43	$ 0.37	$ 0.32	$ 0.28
Pro forma income on net proceeds, as adjusted	0.28	0.28	0.28	0.28
Pro forma ESOP adjustment (2)	(0.02)	(0.02)	(0.02)	(0.02)
Pro forma stock award adjustment (3)	(0.06)	(0.06)	(0.06)	(0.06)
Pro forma stock option adjustment (4)	(0.08)	(0.08)	(0.08)	(0.08)
Pro forma net income per share (5)	$ 0.55	$ 0.49	$ 0.44	$ 0.40
Offering price as a multiple of pro forma net earnings per share	18.18	20.41	22.73	25.00
Number of shares outstanding for pro forma net income per share calculations	9,230,819	10,859,787	12,488,755	14,362,068
At September 30, 2006				
Stockholders equity:				
Historical	$ 58,337	$ 58,337	$ 58,337	$ 58,337
Estimated net proceeds	91,483	107,832	124,210	143,055
Plus: Shares issued to Foundation	6,545	7,700	8,855	10,183
Less: Shares issued to Foundation	(6,545)	(7,700)	(8,855)	(10,183)
Less: Cash contribution to Foundation	(935)	(1,100)	(1,265)	(1,455)
Plus: Tax benefit of contribution to Foundation(6)	1,880	1,880	1,880	1,880
Less: Common stock acquired by ESOP (2)	(8,004)	(9,416)	(10,828)	(12,453)
Less: Common stock acquired by stock-based incentive (3) (4)	(4,002)	(4,708)	(5,414)	(6,226)
Pro forma stockholders equity	$ 138,760	$ 152,825	$ 166,920	$ 183,138
Stockholders equity per share:				

Historical	$ 5.83	$ 4.96	$ 4.31	$ 3.75
Estimated net proceeds	9.14	9.16	9.18	9.19
Plus: Shares issued to Foundation	0.65	0.65	0.65	0.65
Less: Shares contribution to Foundation	(0.65)	(0.65)	(0.65)	(0.65)
Less: Cash contribution to Foundation	(0.09)	(0.09)	(0.09)	(0.09)
Plus: Tax benefit of contribution to Foundation (6)	0.19	0.16	0.14	0.12
Less: Common stock acquired by ESOP (2)	(0.80)	(0.80)	(0.80)	(0.80)
Less: Common stock acquired by stock-based incentive plan (3) (4)	(0.40)	(0.40)	(0.40)	(0.40)
Pro forma stockholders equity per share (7)	$ 13.87	$ 12.99	$ 12,34	$ 11.77
Offering price as percentage of pro forma stockholders equity per share	72.10%	76.98%	81.04%	84.96%
Number of shares outstanding for pro forma book value per share calculations	10,004,500	11,770,000	13,535,500	15,565,825

(footnotes begin on following page)

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(1) As adjusted to give effect to an increase in the number of shares which could occur due to a 15% increase in the offering range to reflect demand for the shares, changes in market and financial conditions following the commencement of the offering or regulatory considerations.

(2) Assumes that 8% of shares of common stock sold in the offering will be purchased by the employee stock ownership plan. For purposes of this table, the funds used to acquire these shares are assumed to have been borrowed by the employee stock ownership plan from ESSA Bancorp, Inc. ESSA Bank & Trust intends to make annual contributions to the employee stock ownership plan in an amount at least equal to the required principal and interest payments on the debt. ESSA Bank & Trust s total annual payments on the employee stock ownership plan debt are based upon 30 equal annual installments of principal and interest. SOP 93-6 requires that an employer record compensation expense in an amount equal to the fair value of the shares committed to be released to employees. The pro forma adjustments assume that the employee stock ownership plan shares are allocated in equal annual installments based on the number of loan repayment installments assumed to be paid by ESSA Bank & Trust, the fair value of the common stock remains equal to the subscription price and the employee stock ownership plan expense reflects an effective combined federal and state tax rate of 34.0%. The unallocated employee stock ownership plan shares are reflected as a reduction of stockholders equity. No reinvestment is assumed on proceeds contributed to fund the employee stock ownership plan. The pro forma net income further assumes that 26,679, 31,387, 36,095 and 41,509 shares were committed to be released during the period at the minimum, midpoint, maximum, and adjusted maximum of the offering range, respectively, and in accordance with SOP 93-6, only the employee stock ownership plan shares committed to be released during the period were considered outstanding for purposes of income per share calculations.

(3) If approved by ESSA Bancorp, Inc. s stockholders, the stock recognition and retention plan may purchase an aggregate number of shares of common stock equal to 4% of the shares to be sold in the offering (or possibly a greater number of shares if the plan is implemented more than one year after completion of the conversion). Stockholder approval of the stock recognition and retention plan, and purchases by the plan may not occur earlier than six months after the completion of the conversion. The shares may be acquired directly from ESSA Bancorp, Inc. or through open market purchases. The funds to be used by the stock recognition and retention plan to purchase the shares will be provided by ESSA Bancorp, Inc. The table assumes that (i) the stock recognition and retention plan acquires the shares through open market purchases at $10.00 per share, (ii) 20% of the amount contributed to the stock recognition and retention plan is amortized as an expense during the year ended September 30, 2006 and (iii) the stock recognition and retention plan expense reflects an effective combined federal and state tax rate of 34.0%. Assuming stockholder approval of the stock recognition and retention plan and that shares of common stock (equal to 4% of the shares sold in the offering) are awarded through the use of authorized but unissued shares of common stock, stockholders would have their ownership and voting interests diluted by approximately 3.8%.

(4) If approved by ESSA Bancorp, Inc. s stockholders, the stock option plan may grant options to acquire an aggregate number of shares of common stock equal to 10% of the shares to be sold in the offering (or possibly a greater number of shares if the plan is implemented more than one year after completion of the conversion. Stockholder approval of the stock option plan may not occur earlier than six months after the completion of the conversion. In calculating the pro forma effect of the stock option plan, it is assumed that the exercise price of the stock options and the trading price of the common stock at the date of grant were $10.00 per share, the estimated grant-date fair value determined using the Black-Scholes option pricing model was $3.84 for each option, the aggregate grant-date fair value of the stock options was amortized to expense on a straight-line basis over a five-year vesting period of the options, and that 25% of the amortization expense (or the assumed portion relating to options granted to directors) resulted in a tax benefit using an assumed tax rate of 34.0%. The actual expense of the stock option plan will be determined by the grant-date fair value of the options, which will depend on a number of factors, including the valuation assumptions used in the option pricing model ultimately adopted. Under the above assumptions, the adoption of the stock option plan will result in no additional shares under the treasury stock method for purposes of calculating earnings per share. There can be no assurance that the actual exercise price of the stock options will be equal to the $10.00 price per share. If a portion of the shares to satisfy the exercise of options under the stock option plan are obtained from the issuance of authorized but unissued shares, our net income per share and stockholders equity per share will decrease. The issuance of authorized but previously unissued shares of common stock pursuant to the exercise of options under such plan would dilute existing stockholders ownership and voting interests by approximately 9.1%.

(5) Income per share computations are determined by taking the number of shares assumed to be sold in the offering and, in accordance with SOP 93-6, subtracting the employee stock ownership plan shares that have not been committed for release during the period. See note 2, above.

(6) Includes valuation allowance against deferred tax asset of $663,000, $1.1 million, $1.6 million and $2.1 million at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively.

(7) The retained earnings of ESSA Bank & Trust will be substantially restricted after the conversion. See Our Policy Regarding Dividends, The Conversion Liquidation Rights and Regulation.

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COMPARISON OF VALUATION AND PRO FORMA INFORMATION WITH AND WITHOUT THE CHARITABLE FOUNDATION

As reflected in the table below, if the charitable foundation is not established and funded as part of the stock offering, RP Financial, Inc. estimates that our pro forma valuation would be greater and, as a result, a greater number of shares of common stock would be issued in the stock offering. At the minimum, midpoint, maximum and adjusted maximum of the valuation range, our pro forma valuation is $100.0 million, $117.7 million, $135.4 million and $155.7 million with the charitable foundation, as compared to $112.6 million, $132.5 million, $152.4 million and $175.2 million, respectively, without the charitable foundation. There is no assurance that in the event the charitable foundation were not formed, the appraisal prepared at that time would conclude that our pro forma market value would be the same as that estimated in the table below. Any appraisal prepared at that time would be based on the facts and circumstances existing at that time, including, among other things, market and economic conditions. The establishment and funding of the charitable foundation has been approved by the Board of Directors of ESSA Bancorp, Inc. and ESSA Bank & Trust and is subject to approval by members of ESSA Bank & Trust. If the members do not approve the charitable foundation, we may, in our discretion, complete the conversion and stock offering without the inclusion of the charitable foundation and without resoliciting subscribers. We may also determine in our discretion, not to complete the conversion and stock offering if the members do not approve the charitable foundation.

For comparative purposes only, set forth below are certain pricing ratios and financial data and ratios at and for the fiscal year ended September 30, 2006 at the minimum, midpoint, maximum and adjusted maximum of the offering range, assuming the stock offering was completed at September 30, 2006, with and without the charitable foundation.

	9,350,000 Shares Sold		11,000,000 Shares Sold		12,650,000 Shares Sold		14,547,500 Shares Sold	
	With Foundation	Without Foundation(1)	With Foundation	Without Foundation(1)	With Foundation	Without Foundation(1)	With Foundation	Without Foundation(1)
	(Dollars in thousands, except per share amounts)							
Estimated stock offering amount	$ 93,500	$ 112,625	$ 110,000	$ 132,500	$ 126,500	$ 152,375	$ 145,475	$ 175,231
Pro forma market capitalization	100,045	112,625	117,700	132,500	135,355	152,375	155,658	175,231
Estimated pro forma valuation	100,045	112,625	117,700	132,500	135,355	152,375	155,658	175,231
Total assets	806,219	822,707	820,284	840,059	834,379	857,412	850,597	877,368
Total liabilities	667,459	667,459	667,459	667,459	667,459	667,459	667,459	667,459
Pro forma stockholders equity	138,760	155,248	152,825	172,600	166,920	189,953	183,138	209,909
Pro forma net income	5,092	5,510	5,300	5,793	5,508	6,075	5,747	6,402
Pro forma stockholders equity per share	13.87	13.78	12.99	13.02	12.34	12.47	11.77	11.98
Pro forma net income per share	0.55	0.52	0.49	0.46	0.44	0.42	0.40	0.38
Pro forma pricing ratios:								
Offering price as a percentage of pro forma stockholders equity per share	72.10%	72.57%	76.98%	76.80%	81.04%	80.19%	84.96%	83.47%
Offering price to pro forma net income per share	18.18x	19.23x	20.41x	21.74x	22.73x	23.81x	25.00x	26.32x
Pro forma financial ratios:								
Return on assets	0.63%	0.67%	0.65%	0.69%	0.66%	0.71%	0.68%	0.73%
Return on equity	3.67	3.55	3.47	3.36	3.30	3.20	3.14	3.05
Equity to assets	17.21	18.87	18.63	20.55	20.01	22.15	21.53	23.92

(1)

The number of shares sold to the public, assuming no charitable foundation would be 11,262,500, 13,250,000, 15,237,500 and 17,523,125 at the minimum, midpoint, maximum and maximum as adjusted, respectively of the offering range.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS OF ESSA BANCORP, INC.

This section is intended to help potential investors understand the financial performance of ESSA Bank & Trust through a discussion of the factors affecting our financial condition at September 30, 2006 and September 30, 2005 and our consolidated results of operations for the years ended September 30, 2006, 2005 and 2004. This section should be read in conjunction with the Consolidated Financial Statements and notes to the financial statements that appear elsewhere in this prospectus. ESSA Bancorp, Inc. did not exist at September 30, 2006, therefore the information reflected in this section reflects the financial performance of ESSA Bank & Trust and its subsidiaries. In this section, we sometimes refer to ESSA Bank & Trust and ESSA Bancorp, Inc. together as ESSA since the financial condition and results of operation of ESSA Bancorp, Inc. will closely reflect the financial condition and results of operation of its operating subsidiary, ESSA Bank & Trust.

Following the completion of the reorganization and offering, we anticipate that our non-interest expense will increase as a result of the increased costs associated with managing a public company, increased compensation expenses associated with the purchases of shares of common stock by our employee stock ownership plan, and the adoption of one or more stock-based incentive plans, if approved by ESSA Bancorp Inc. s stockholders.

Assuming that the adjusted maximum number of shares are sold in the offering and shares are issued to the ESSA Bank & Trust Foundation:

our employee stock ownership plan will acquire 1,245,266 shares of common stock with a $12.5 million loan that is expected to be repaid over 30 years, resulting in an annual pre-tax expense of approximately $415,000 (assuming that the common stock maintains a value of $10.00 per share);

our stock option plan would grant options to purchase shares equal to 10% of the total shares issued in the offering or 1,556,583 shares to eligible participants, which would result in compensation expense over the vesting period of the options. Assuming the market price of the common stock is $10.00 per share; all options are granted with an exercise price of $10.00 per share and have a term of 10 years; the dividend yield on the stock is zero; the expected option life is 10 years; the risk free interest rate is 4.64%; and the volatility rate on the common stock is 11.32%, the estimated grant-date fair value of the options utilizing a Black-Scholes option pricing analysis is $3.84 per option granted. Assuming this value is amortized over the five year vesting period, the corresponding annual pre-tax expense associated with the stock option plan would be approximately $1.2 million; and

our recognition and retention plan would award a number of shares equal to 4% of the shares issued in the offering, or 622,633 shares, to eligible participants, which would be expensed as the awards vest. Assuming that all shares are awarded under the recognition and retention plan at a price of $10.00 per share, and that the awards vest over a five year period, the corresponding annual pre-tax expense associated with shares awarded under the recognition and retention plan would be approximately $1.2 million.

The actual expense that will be recorded for the employee stock ownership plan will be determined by the market value of the shares of common stock as they are released to employees over the term of the loan, and whether the loan is repaid faster than its contractual term. Accordingly, increases in the stock price above $10.00 per share will increase the total employee stock ownership plan expense, and any accelerated repayment of the loan will increase the annual employee stock ownership plan expense. Further, the actual expense of the recognition and retention plan will be determined by the fair market value of the stock on the grant date, which might be greater than $10.00 per share. The actual expense of the stock option plan will be determined by the grant-date fair value of the options which will depend on a number of factors, including the valuation assumptions used in the Black-Scholes option pricing model.

Overview

Our results of operations depend mainly on our net interest income, which is the difference between the interest income earned on our loan and investment portfolios and interest expense paid on our deposits and borrowed funds. Results of operations are also affected by fee income from banking operations, provisions for loan losses, gains (losses) on sales of loans and other miscellaneous income. Our noninterest expenses consist primarily of compensation and employee benefits, office occupancy, technology, marketing, general administrative expenses and income tax expense.

Our results of operations are also significantly affected by general economic and competitive conditions, particularly with respect to changes in interest rates, government policies and actions of regulatory authorities. Future changes in applicable law, regulations or government policies may materially affect our financial condition and results of operations. See Risk Factors beginning on page 18.

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

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for changes in the economic environment that could result in changes to the amount of the recorded allowance for loan losses.

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.

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.

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

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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.

Business Strategy

Our business strategy is to grow and improve our profitability by:

- Increasing customer relationships through the offering of excellent service and the distribution of that service through effective delivery systems;

- Continuing to transform into a full service community bank by meeting the financial services needs of our customers;

- Continuing to develop into a high performing financial institution, in part by increasing interest revenue and fee income;

- Remaining within our risk management parameters; and

- Employing affordable technology to increase profitability and improve customer service.

A full description of our products and services begins on page 58 of this prospectus.

We believe that these strategies will guide our investment of the net proceeds of the offering. We intend to continue to pursue our business strategy after the conversion and the offering, subject to changes necessitated by future market conditions and other factors. We also intend to focus on the following:

- ***Increasing customer relationships through a continued commitment to service and enhancing products and delivery systems.*** We will continue to increase customer relationships by focusing on customer satisfaction with regards to service, products, systems and operations. We have upgraded and expanded certain of our facilities, including our corporate center, to provide additional capacity to manage future growth and expand our delivery systems.

- ***Continuing to transform into a full service community bank.*** We continue to transform from a traditional savings association into a full service community bank. During the last several years, we have begun to offer a wide variety of commercial loans and deposits, as well as trust and brokerage services.

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Continuing to develop into a high performing financial institution. We will continue to enhance profitability by focusing on increasing non-interest income as well as increasing commercial products, including commercial real estate lending, which often have a higher profit margin than more traditional products. We also will pursue lower-cost commercial deposits as part of this strategy.

Remaining within our risk management parameters. We place significant emphasis on risk management and compliance training for all of our directors, officers and employees. We focus on establishing regulatory compliance programs to determine the degree of such compliance and to maintain the trust of our customers and community.

Employing cost-effective technology to increase profitability and improve customer service. We will continue to upgrade our technology in an efficient manner. We have implemented new software for marketing purposes and have upgraded both our internal and external communication systems.

Continuing our emphasis on commercial real estate lending to improve our overall performance. We intend to continue to emphasize the origination of higher interest rate margin commercial real estate loans as market conditions, regulations and other factors permit. We have expanded our commercial banking capabilities by adding experienced commercial bankers, and enhancing our direct marketing efforts to local businesses.

Expanding our banking franchise through branching and acquisitions. We will attempt to use the net proceeds from the offering, as well as our new stock holding company structure, to expand our market footprint through *de novo* branching as well as through acquisitions of banks, savings institutions and other financial service providers in our primary market area. We will also consider establishing *de novo* branches or acquiring financial institutions in contiguous counties. We have received regulatory approval to open a new branch office in Tannersville, Pennsylvania which we anticipate opening in May 2007. There can be no assurance that we will be able to consummate any acquisitions or establish any additional new branches. We may explore acquisition opportunities involving other banks and thrifts, and possibly financial service companies, when and as they arise, as a means of supplementing internal growth, filling gaps in our current geographic market area and expanding our customer base, product lines and internal capabilities.

Maintaining the quality of our loan portfolio. Maintaining the quality of our loan portfolio is a key factor in managing our growth. We will continue to use customary risk management techniques, such as independent internal and external loan reviews, risk-focused portfolio credit analysis and field inspections of collateral in overseeing the performance of our loan portfolio.

Comparison of Financial Condition At September 30, 2006 and September 30, 2005

Total Assets. Total assets increased by $69.7 million, or 10.6%, to $725.8 million at September 30, 2006 from $656.1 million at September 30, 2005. This increase was primarily due to increases in investment securities and loans receivable which were partially offset by a decrease in commercial paper.

Investment Securities. Investment securities increased $24.8 million, or 29.6% to $108.8 million at September 30, 2006, from $84.0 million at September 30, 2005. This increase was due, in part, to ESSA Bank & Trust s investing of funds from new deposits and borrowings in mortgage-backed securities and, to a lesser extent, United States government and agency obligations.

Commercial Paper. Commercial paper declined from $7.0 million at September 30, 2005 to no outstanding commercial paper at September 30, 2006. This asset matured during fiscal year ended September 30, 2006.

Net Loans. Net loans increased $47.7 million, or 9.4%, to $556.7 million at September 30, 2006 from $509.0 million at September 30, 2005. Loan growth was primarily attributable to growth in several product categories as a result of the economic growth in our market area and our increased marketing efforts. One- to four-family residential mortgages increased by $31.2 million to $452.4 million at September 30, 2006 from $421.2 million at September 30, 2005. For the same time periods, commercial real estate loans increased by $10.5 million to $47.5 million from $37.0 million and home equity and lines of credit increased by $6.5 million to $46.8 million from $40.3 million.

Deposits. Deposits increased by $27.4 million, or 7.3% to $402.2 million at September 30, 2006, from $374.8 million at September 30, 2005. The increase in deposits was attributable to increases in retail certificates of deposit of $29.3 million and brokered certificates of deposit of $7.1 million. Retail certificates of deposits increased in part in response to rate promotions on selected products. These increases were partially offset by decreases in checking products of $859,000 and other savings products of $8.2 million. At September 30, 2006, we had $28.3 million of brokered certificates of deposit outstanding.

Borrowed Funds. Funds borrowed from the Federal Home Loan Bank of Pittsburgh increased by $37.8 million, or 17.1%, to $259.3 million at September 30, 2006, from $221.5 million at September 30, 2005. The increase in borrowed funds, combined with the increase in deposits was used to fund increases in loans and the purchase of investment securities.

Total Retained Earnings. Total retained earnings increased by $4.0 million, or 7.3%, to $58.3 million at September 30, 2006 from $54.4 million at September 30, 2005. The increase reflected net income of $4.0 million in addition to a $12,000 decrease in other comprehensive losses due to unrealized losses on investment securities available for sale at September 30, 2006. The decrease in unrealized losses on investments was due to changes in the composition of the investment securities portfolio combined with changes in interest rates. Management concluded that none of our impaired securities have impairments that are other than temporary.

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Comparison of Operating Results For The Years Ended September 30, 2006 and September 30, 2005

Net Income. Net income decreased $497,000, or 11.2%, to $4.0 million for fiscal year 2006 from $4.5 million for fiscal year 2005. The decrease was primarily the result of a decrease in net interest income and an increase in total non-interest expense, and an increase in income taxes, partially offset by an increase in total non-interest income.

Net Interest Income. Net interest income decreased by $362,000, or 2.1%, to $17.2 million for fiscal year 2006 from $17.6 million for fiscal year 2005. The decrease was primarily attributable to a 39 basis point decrease in our interest rate spread to 2.46% for fiscal year 2006 from 2.85% for fiscal year 2005. The decrease in the net interest margin was due to average yields on interest-earning assets increasing at a slower pace than the cost of interest-bearing liabilities. During fiscal year 2006, the Federal Reserve Board of Governors increased the federal funds rates six times.

The tables on pages 52 and 53 set forth the components of our net interest income, yields on interest-earning assets and costs of interest-bearing liabilities, and the effect on net interest income arising from changes in volumes and rates.

Interest Income. Interest income increased $4.5 million, or 14.2%, to $36.5 million for fiscal year 2006 from $31.9 million for fiscal year 2005. The increase resulted from a $59.8 million increase in average interest-earning assets which had the effect of increasing interest income by $3.2 million. In addition, there was a 19 basis point increase in the overall yield on interest earning assets to 5.68% for fiscal year 2006, from 5.49% for fiscal year 2005 which increased interest income by $1.3 million. Loans increased on average $39.4 million between the two periods, along with increases in the average balances of investment securities of $16.7 million and mortgage-backed securities of $4.3 million. Federal Home Loan Bank of Pittsburgh stock and other interest earning assets decreased by $643,000 in the aggregate. The average yield on loans increased to 5.95% for the fiscal year 2006, from 5.84% for the fiscal year 2005. The average yields on investment securities increased to 4.49% from 3.87% and the average yield on mortgage backed securities increased to 4.30% from 3.67% for the 2006 and 2005 periods, respectively.

Interest Expense. Interest expense increased $4.9 million, or 34.2%, to $19.2 million for fiscal year 2006 from $14.3 million for fiscal year 2005. The increase resulted from a $53.8 million increase in average interest-bearing liabilities, which had the effect of increasing interest expense by $2.5 million. In addition, there was a 58 basis point increase in the overall cost of interest-bearing liabilities to 3.22% for fiscal year 2006 from 2.64% for fiscal year 2005, which increased interest expense by $2.4 million. Money market and savings accounts decreased in the aggregate by approximately $11.0 million, while certificates of deposits increased in the aggregate by $47.8 million between the two periods. The average balance of borrowed funds increased $18.9 million during the same comparative periods. The cost of certificates of deposit increased to 4.02% for fiscal year 2006 from 3.32% for fiscal year 2005. The cost of borrowed funds increased to 4.47% from 4.05% for the same respective periods. The additional deposits and borrowings were used to fund increases in loans and to purchase investment securities.

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Provision for Loan Losses. ESSA Bank & Trust establishes provisions for loan losses, which are charged to earnings, at a level necessary to absorb known and inherent losses that are both probable and reasonably estimable at the date of the financial statements. 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 the 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 susceptible to significant revision as more information becomes available or as future events occur. After an evaluation of these factors, management made a provision of $300,000 for fiscal year 2006 compared to a $550,000 provision for year ended 2005. The allowance for loan losses was $3.9 million, or 0.69% of loans outstanding at September 30, 2006, compared to $3.6 million, or 0.70% of loans outstanding at September 30, 2005.

Determining the amount of the allowance for loan losses necessarily involves a high degree of judgment. Management reviews the level of the allowance on a quarterly basis, and establishes the provision for loan losses based on the factors set forth in the preceding paragraph. Historically, our loan portfolio has consisted primarily of one- to four-family residential mortgage loans. However, our current business plan calls for increases in commercial real estate. As management evaluates the allowance for loan losses, the increased risk associated with larger non-homogenous commercial real estate and commercial business loans may result in large additions to the allowance for loan losses in future periods.

Although we believe that we use the best information available to establish the allowance for loan losses, future additions to the allowance may be necessary, based on estimates that are susceptible to change as a result of changes in economic conditions and other factors. In addition, the Office of Thrift Supervision, as an integral part of its examination process, will periodically review our allowance for loan losses. This agency may require us to recognize adjustments to the allowance, based on its judgments about information available to it at the time of its examination.

Non-interest Income. Non-interest income increased by $237,000, or 4.5%, to $5.5 million for fiscal year 2006, from $5.3 million for fiscal year 2005. The increase was primarily due to an increase in trust and investment fees of $238,000, partially offset by decreases in gains on sale of loans, net and other non-interest income. The increase in trust and investment fees was due primarily to the addition, by ESSA Bank & Trust of a trust officer and the addition by PRIMEVEST Financial Services, Inc. of two brokers. Other non-interest income decreased by $142,000 for fiscal year 2006 included approximately $45,000 in losses on asset disposals along with a reduction in rental income of approximately $25,000. Other non-interest income for fiscal year 2005 included approximately $47,000 received by us as a result of the sale of the Pulse Electronic Funds Transfer Network to Discover. Additionally, fiscal year 2005 included a $130,000 charge for an other than temporary decline in the value of one of our investment securities.

Non-interest Expense. Non-interest expense increased by $192,000, or 1.2%, to $16.7 million for fiscal year 2006, from $16.5 million for fiscal year 2005. Increases in compensation and employee benefits of $159,000, occupancy and equipment of $177,000, and advertising of $100,000 were partially offset by decreases in professional fees of $92,000 and data processing of $77,000. The increase in compensation and employee benefits was the result of normal merit increases combined with increases in health insurance, pension, and other benefit costs. The increase in occupancy and equipment was the result of increases in depreciation and real estate taxes related to ESSA Bank & Trust s property and equipment. Advertising expense increased as a result of our increased efforts to maintain and improve our presence in our market area. Professional fees decreased primarily due to the fact that several miscellaneous, short-term consulting engagements in fiscal year 2005 were not repeated in fiscal year 2006. Data processing decreased primarily as a result of a decrease in the cost of processing ESSA Bank & Trust s student loans which were substantially sold during fiscal year 2005.

Income Taxes. Income tax expense was $1.8 million for fiscal year 2006, an increase of $430,000, or 31.1%, compared to $1.4 million for fiscal year 2005. The effective tax rate was 31.4% in fiscal year 2006 compared to 23.7% in fiscal year 2005, principally due to the elimination of certain over-accruals for income taxes in fiscal year 2005, and an adjustment to deferred taxes and income tax expense for timing differences related to depreciation in 2006.

Comparison of Operating Results For The Years Ended September 30, 2005 and September 30, 2004

Net Income. Net income increased $536,000, or 13.7%, to $4.5 million for fiscal year 2005 from $3.9 million for fiscal year 2004. The increase was primarily the result of an increase in net interest income an increase in total non-interest income partially offset by an increase in income taxes and an increase in total non-interest expense.

Net Interest Income. Net interest income increased by $719,000, or 4.3%, to $17.6 million for fiscal year 2005 from $16.9 million for fiscal year 2004. The increase was primarily attributable to the growth of our total interest earning assets offset by a 25 basis point decrease in our interest rate spread to 2.85% for fiscal year 2005 from 3.10% for fiscal year 2004. The decrease in the interest rate spread was due to the yields on interest-earning assets decreasing while the costs of interest-bearing liabilities increased. During fiscal year 2005, the Federal Reserve Board of Governors increased the federal funds rates eight times.

The tables on pages 52 and 53 set forth the components of our net interest income, yields on interest-earning assets and costs of interest-bearing liabilities, and the effect on net interest income arising from changes in volumes and rates.

Interest Income. Interest income increased $3.1 million, or 10.8%, to $31.9 million for fiscal year 2005 from $28.8 million for fiscal year 2004. The increase resulted from a $64.4 million increase in average interest-earning assets which had the effect of increasing interest income by $3.3 million. Partially offsetting the increase in interest income was an 8 basis point decrease in the overall yield on interest earning assets to 5.49% for fiscal year 2005, from 5.57%

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for fiscal year 2004 which decreased interest income by $174,000. Loans increased on average $37.4 million between the two periods, along with increases in the average balances of investment securities of $16.6 million and mortgage-backed securities of $14.1 million. Federal Home Loan Bank stock and other interest earning assets decreased by $3.6 million in the aggregate. The average yield on loans decreased to 5.84% for the fiscal year 2005, from 5.95% for the fiscal year 2004. The average yields on investment securities decreased to 3.87% from 4.63% and the average on mortgage backed securities yield increased to 3.67% from 3.13% for the 2005 and 2004 periods, respectively.

Interest Expense. Interest expense increased $2.4 million, or 20.0%, to $14.3 million for fiscal year 2005 from $11.9 million for fiscal year 2004. The increase resulted from a $59.8 million increase in average interest-bearing liabilities, which had the effect of increasing interest expense by $2.4 million. In addition, there was a 17 basis point increase in the overall cost of interest-bearing liabilities to 2.64% for fiscal year 2005 from 2.47% for fiscal year 2004 which increased interest income by $14,000. Money market and savings accounts decreased in the aggregate by approximately $1.8 million, while certificates of deposits increased in the aggregate by approximately $17.1 million between the two periods. The average balance of borrowed funds increased $44.7 million during the same comparative periods. The cost of certificates of deposit increased to 3.32% for fiscal year 2005 from 3.20% for fiscal year 2004. The cost of borrowed funds decreased to 4.05% from 4.21% for the same respective periods. The additional deposits and borrowings were used to fund increases in loans and to purchase investment securities.

Provision for Loan Losses. ESSA Bank & Trust establishes provisions for loan losses, which are charged to earnings, at a level necessary to absorb known and inherent losses that are both probable and reasonably estimable at the date of the financial statements. 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 the 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 susceptible to significant revision as more information becomes available or as future events occur. After an evaluation of these factors, management made a provision of $550,000 for fiscal year 2005 compared to a $530,000 provision for year ended 2004. The allowance for loan losses was $3.6 million or 0.70% of loans outstanding at September 30, 2005, compared to $3.0 million, or 0.63% of loans outstanding at September 30, 2004.

Non-interest Income. Non-interest income increased by $1.0 million, or 23.4%, to $5.3 million for fiscal year 2005, from $4.3 million for fiscal year 2004. The increase was primarily due to increases in service fees on deposit accounts of $922,000, net gain on sale of loans of $96,000, earnings on bank-owned life insurance of $126,000 and other non-interest income of $87,000. The increase in service fees on deposit accounts resulted primarily from increases in non-sufficient fund charges attributable to a new overdraft protection program implemented in May of 2004. The earnings on bank-owned life insurance increased during fiscal year 2005 because 2005 included twelve months of earnings on bank-owned life insurance and fiscal year 2004 included ten months of earnings as a result of when the insurance was originally purchased.

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ESSA Bank & Trust also purchased an additional $2.0 million of bank-owned life insurance during fiscal year 2005. Other non-interest income for fiscal year 2005 included approximately $47,000 received by ESSA Bank & Trust as a result of the sale of the Pulse Electronic Funds Transfer Network to Discover. The increases described above were partially offset by a charge during fiscal year 2005 for an other than temporary decline in the value of one of our investment securities of $130,000.

Non-interest Expense. Non-interest expense increased by $953,000, or 6.1%, to $16.5 million for fiscal year 2005, from $15.5 million for fiscal year 2004. Increases in compensation and employee benefits of $1.2 million and occupancy and equipment of $164,000 were partially offset by decreases in professional fees of $127,000 and data processing of $267,000. The increase in compensation and employee benefits was the result of normal merit increases, increases in incentive compensation and increases in health insurance, pension, and other benefit costs. The increase in occupancy and equipment was the result of increases in depreciation and real estate taxes related to ESSA Bank & Trust s property and equipment.

Income Taxes. Income tax expense was $1.4 million for fiscal year 2005, an increase of $211,000, or 18.0%, compared to $1.2 million for fiscal year 2004. The effective tax rate was 23.7% in fiscal year 2005 compared to 23.0% in fiscal year 2004.

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The following table sets forth average balance sheets, average yields and costs, and certain other information for the periods indicated, as well as balances and average yields and costs at September 30, 2006. All average balances are monthly average balances. The yields set forth below include the effect of deferred fees and discounts and premiums that are amortized or accreted to interest income.

	At September 30, 2006	For the Years Ended September 30,