

**Elmira Savings Bank, FSB**  
**Proxy Statement**

**THE ELMIRA SAVINGS BANK, FSB**  
333 East Water Street  
Elmira, NY 14901

**PROXY STATEMENT**

**This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of The Elmira Savings Bank, FSB (the “Bank”)** for use at the Annual Meeting of Shareholders of the Bank to be held April 27, 2010 and at any adjournment thereof. This Proxy Statement, together with the enclosed proxy card, is being mailed to shareholders on or about April 1, 2010. The 2009 Annual Report and Form 10-K are enclosed.

**The Proxy**

Shareholders giving proxies may revoke them at any time before they are voted by notifying Thomas M. Carr, Executive Vice President, Chief Operating Officer, in writing of such revocation, by providing a duly executed proxy bearing a later date, or by voting in person at the meeting. If a proxy is properly signed by a shareholder and is not revoked, it will be voted at the Annual Meeting in the manner specified on the proxy, or if no manner is specified, it will be voted “FOR” the election of Directors; “FOR” the appointment of S. R. Snodgrass, A.C. as independent auditor for the Bank for 2010; and “FOR” the non-binding shareholder resolution approving the executive compensation paid by the Bank to its senior executive officers in 2009.

The Bank will bear the costs of solicitations of proxies. Following the mailing of proxy soliciting material, officers and other personnel of the Bank may solicit proxies by mail, telephone, fax, e-mail, and personal interview. The Bank has retained Regan and Associates, a professional proxy firm, to assist in the solicitation of proxies. Regan and Associates will receive a fee of \$3,500 for its services, plus reasonable out-of-pocket expenses. The Bank will request record holders of shares beneficially owned by others to forward this Proxy Statement and related materials to the other beneficial owners of such shares and will reimburse such record holders for their reasonable expenses incurred in doing so.

**Voting Securities**

As of March 1, 2010, the Bank had issued and outstanding 1,920,872 shares of common stock, par value \$1.00 per share, which are its only securities entitled to vote at the Annual Meeting. The election of Directors will require the affirmative vote of a plurality of the shares of common stock voting in person or by proxy at the Annual Meeting, and the ratification of the appointment of S.R. Snodgrass, A.C. as independent auditor and the non-binding resolution on executive compensation will each require the affirmative vote of a majority of the outstanding shares of common stock voting in person or by proxy at the Annual Meeting. Holders of common stock are entitled to one vote for each share held. The Board of Directors has fixed March 15, 2010 as the record date for determination of shareholders entitled to notice of, and to vote at, the Annual Meeting.

The following investor, based on securities filings with the Office of Thrift Supervision, is known to the Bank to be, apart from the President and Chief Executive Officer, Michael P. Hosey, the only beneficial owner of more than five percent of the Bank’s common stock:

<b><u>Class of Securities</u></b>	<b><u>Name and Address</u></b>	<b><u>Shares</u></b>	<b><u>Percent of Class</u></b>
Common Stock	Valicenti Advisory Services, Inc. 400 East Water Street Elmira, NY 14901	183,499	9.55%

The employee stock ownership plan component (“ESOP”) of the Bank’s Employee Stock Ownership and Savings Plan, a tax-qualified retirement plan for the Bank’s employees (“Plan”), holds an aggregate of 114,819 shares of the Bank’s common stock, representing approximately 5.98% of the outstanding

shares. The 401(k) portion of the Plan holds an aggregate of 43,663 shares of the Bank's common stock, representing approximately 2.27% of the outstanding shares. Three thousand two hundred sixty-five (3,265) shares of common stock held unallocated in the Plan's suspense account are deemed beneficially owned by the Plan's plan trustees.

No change in control of the Bank has occurred since the Bank's conversion from a mutual to a stock-form savings bank, which was completed on March 15, 1985, in which shares of common stock of the Bank were sold to the public, and the holders of common stock were granted voting rights with respect to the affairs of the Bank rather than the former members of the Bank as a mutual savings bank who previously held such voting rights.

### **Broker Non-Votes**

On July 1, 2009, the Securities and Exchange Commission approved an amendment to New York Stock Exchange Rule 452 which, effective for shareholder meetings held on or after January 1, 2010, prohibits certain brokers, dealers, trustees, or other nominees from voting the shares of stock held for another on certain matters without voting instructions from the beneficial owner of such shares. "Broker non-votes" occur with respect to a matter when a broker, dealer, trustee, or nominee is prevented from voting on a matter without instructions from the beneficial owner of the relevant shares, and such voting instructions are not given. In tabulating the voting results for any particular proposal, shares that are considered broker non-votes will not be considered entitled to vote on such proposal. Thus, broker non-votes will not affect the outcome of any matter being voted on at the meeting, assuming that a quorum is obtained.

Of the items of business specifically identified in this proxy statement, only the vote for the election of directors will be subject to the broker non-vote rule.

### **Copies of Annual Report and Financial Information**

**The Bank shall provide, without charge, to each person solicited hereby, upon written request to Thomas M. Carr, EVP & COO, a copy of the Bank's annual report on Form 10-K for the Bank's 2009 fiscal year, including the financial statements and financial statement schedules required to be filed with the Office of Thrift Supervision pursuant to Rule 13a-1 under the Securities Exchange Act of 1934. Written requests for copies of the annual report and accompanying financial statements should be directed to the Secretary at 333 East Water Street, Elmira, New York 14901.**

### **ELECTION OF DIRECTORS**

(Proposal One)

The Bank's Board of Directors consists of nine members. The Bank's bylaws provide for the classification of the Board of Directors into three classes, with each class to serve a staggered term of three years. Three Directors are to be elected at the Annual Meeting of the Shareholders as Class I Directors, to hold office until the 2013 Annual Meeting of Shareholders.

If any nominee listed below becomes unable to serve, the proxies solicited hereby will be voted for the election of such other persons as the Board of Directors may designate.

The following table sets forth the names of and certain information, including their employment for at least the last five years, concerning the nominees for election at the Annual Meeting, Directors continuing in office, and their beneficial ownership of shares of the Bank's common stock. There are no arrangements or understandings pursuant to which any Director or executive officer was selected and there are no family relationships between any Directors or executive officers of the Bank.

**Directors to be Elected**

Name of Nominee, Age, Position and Office, Other Business Experience, and Directorships	Year Term will Expire and Class	Length of Service as Director	Shares Beneficially Owned & Percentage of Class
<b><u>JOHN R. ALEXANDER</u></b> (Age 63) Mr. Alexander is a partner in the law firm of Sayles & Evans, Elmira, NY. He is a board member of The Hilliard Corp., Arnot Realty Corp., F. M. Howell & Co., Carbonic Systems, Inc., and Electri-Cord Mfg. Co.	2013 Class I	25 Years	49,779 2.59%
<b><u>ANTHONY J. COOPER</u></b> (Age 63) Mr. Cooper is President and Chief Executive Officer of Arnot Ogden Medical Center, Elmira, NY. He is past Chairman of Rochester Regional Hospital Association.	2013 Class I	18 Years	11,973 .62%
<b><u>MICHAEL P. HOSEY</u></b> (Age 52) Mr. Hosey has served as President and Chief Executive Officer since January 2003. He joined the Bank in 1984 and previously served as Executive Vice President and Chief Operating Officer. He is a board member of Arnot Ogden Medical Center.	2013 Class I	9 Years	97,506 5.08%

**Directors Continuing in Office**

Name and Age	Length of Service as Director	Principal Occupation and Affiliations	Shares of Common Stock Beneficially Owned	% of Common Stock Owned
John "Skip" Brand III Vice Chairman Age: 63	22 Years	Mr. Brand has been a Director since 1988 and is Chairman of Arnot Realty Corp.	17,638	.92
Jerry B. Gapp Age: 72	7 Years	Mr. Gapp is retired Financial VP & Treasurer of Elmira College, Elmira, NY, and a Director of Schuyler Hospital.	5,481	.29
George L. Howell Chairman of the Board Age: 76	18 Years	Mr. Howell has been a Director since 1992, is Chairman of F. M. Howell & Co., Elmira, NY, is a Director of The Hilliard Corp., and a Trustee of Elmira College.	92,489	4.81
Thomas D. Morse Age: 72	20 Years	Mr. Morse is Chairman of LaFrance Equipment Corp., Elmira, NY, and a Director of F. M. Howell & Company.	36,319	1.89
Kristin A. Swain Age: 57	16 Years	Ms. Swain is President of Corning, Inc. Foundation, Corning, NY, and Executive Director of Rockwell Museum of Western Art.	4,769	.25
A. Scott Welliver Age: 60	15 Years	Mr. Welliver has been a Director since 1995 and is President of Welliver McGuire, Inc., Montour Falls, NY, a Director of Five Rivers Boy Scouts of America, a Director of St. Joseph's Hospital, and a Trustee of Elmira College.	31,835	1.66

All Directors and executive officers, as a group, 13 persons, beneficially own 443,080 shares or 23.45%. This includes an aggregate of 25,378 shares allocated to the accounts of the executive officers of the Bank who are participating in the Bank's ESOP and also includes an aggregate of 30,909 shares allocated to the accounts of the executive officers of the Bank who are participating in the Bank's 401(k).

**The Board of Directors recommends a vote "FOR" the reelection to the Board of each of the above-named nominees.**

## **CORPORATE GOVERNANCE**

### **Governance of the Bank**

The Bank's business, property, and affairs are managed under the direction of the Board of Directors in accordance with federal law applicable to federal savings banks and in accordance with the Bank's bylaws. Although the Bank is not regulated by the Securities and Exchange Commission (the "SEC"), the Office of Thrift Supervision ("OTS") adopts in large measure the rules and regulations of the SEC, and the Bank is governed accordingly. Members of the Board are kept informed of the Bank's business through interaction with the Chairman of the Board, the President and CEO, and key officers, by reviewing materials provided, and by participation in meetings of the Board and its committees. All of the members of the Board, except for Mr. Hosey, are "independent directors" within the meaning of Rule 5605 of the NASDAQ Stock Market.

At its January 2003 meeting, the Board of Directors adopted a Corporate Governance Committee charter. The Bank has adopted a bank-wide Code of Business Conduct for all employees. All Board members and executive officers have subscribed to the Directors and Executive Officers Code of Business Conduct. The Chief Financial Officer has subscribed to a Chief Financial Officer Code of Conduct. The purpose of these various codes of business conduct is to establish guidelines of ethical behavior throughout the Bank. The Bank continues to review its policies and practices against policies and practices suggested by various groups or authorities active in corporate governance, such as the Commission on Public Trust and Private Enterprise, and The Business Roundtable.

### **Board and Committee Structure**

Our Board of Directors consists of nine directors and has the following five standing committees: (1) Executive, (2) Audit, (3) Corporate Governance, (4) Compensation, and (5) Loan. The current membership of and purpose of each committee is set forth below. The Chairman of the Board serves as an *ex officio* member of all standing committees. The Audit, Corporate Governance, and Compensation Committees each operate under a written charter adopted by the Board.

During 2009, the Board of Directors held 16 Board meetings and 35 committee meetings. All Board members attended at least 75% of Board and committee meetings. During 2009, the Board of Directors held 4 Board meetings attended by independent Directors only.

#### *Executive Committee*

The Executive Committee of the Board meets as called to review the Bank's operations and policies. Any action required to be taken between regular Board meetings may be taken by this committee. Directors Alexander, Brand, Hosey, Howell, and Morse are current members of the Executive Committee. The committee held no meetings in 2009.

#### *Loan Committee*

The Loan Committee of the Board meets monthly to review loans granted by the Bank's lending officers and to approve loans that exceed predetermined limits. All members of the Board of Directors serve as members of the Loan Committee. All loan officers, the Chief Executive Officer, Chief Operating Officer,

and the Chief Financial Officer of the Bank serve as ex officio members. The committee held 12 meetings in 2009.

#### *Corporate Governance Committee*

The Corporate Governance Committee is comprised of not less than three independent Directors, including the Chairman of the Board, the Vice-Chairman, and the chair of the Audit Committee. The Corporate Governance Committee acts as the Board's nominating committee, selecting nominees for election as Directors. The Corporate Governance Committee also reviews and recommends for Board approval corporate governance policies and guidelines, leads the Board in annual reviews of its own performance, and recommends candidates for membership in the Board's various standing committees. The Corporate Governance Committee is additionally responsible for reviewing and recommending the overall compensation program for Directors for the Board's approval. A copy of the Corporate Governance Committee's charter may be found on the Bank's website at <http://www.elmirasavingsbank.com>. The committee held 3 meetings in 2009. Directors Howell, Morse, and Brand are members of the committee, all of whom are independent.

#### *Compensation Committee*

The purpose of the Compensation Committee is to discharge the Board's responsibilities relating to compensation of executive officers, and to administer the Bank's equity compensation plans and deferred compensation plans. The Compensation Committee has overall responsibility for evaluating and making recommendations to the Board with respect to all components of the compensation paid to executive officers, including base salary, annual incentive bonuses, long-term incentives, and all compensation agreements, plans, policies, and programs, including employment agreements, change-of-control agreements and provisions, and any other executive officer-only benefits, compensation or material arrangements with respect to their employment. The Compensation Committee also reviews and provides input with respect to the executive and leadership development policies, plans, and practices developed by management that support ability to develop and retain the superior executive and leadership talent required to deliver against our short and long-term business strategies. The Compensation Committee is also responsible for performing the Bank's responsibilities, as a participant in the U.S. Treasury Department's Capital Purchase Plan, for reviewing senior executive officer and employee compensation plans and programs with the Bank's senior risk officers and evaluating and addressing the risks posed by each.

In accordance with the written charter of the Compensation Committee of the Board of Directors, the Compensation Committee is appointed by and serves at the discretion of the Board on the recommendation of the Corporate Governance Committee. The Compensation Committee consists of no fewer than three members. None of the members of the Compensation Committee in 2009 was, at any time during the last fiscal year, an employee or officer of the Bank or a former officer of the Bank. All members of the Compensation Committee must meet the independence requirements of the listing standards of the NASDAQ Stock Market and the nonemployee director definition of Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, and at least two members of the Committee must meet the outside director definition of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

In carrying out its duties, the Compensation Committee has the authority to retain and terminate compensation consultants. No such consultants were retained in 2009.

The Compensation Committee meets at scheduled times during the year and meets on an as necessary interim basis. Additionally, the Compensation Committee considers and takes action by written consent.

Directors Gapp, Morse, Howell, and Welliver are members of the committee, all of whom are independent. The committee held 5 meetings in 2009.

### *Audit Committee*

The Audit Committee operates under a written charter and reviews the records and affairs of the Bank to determine its financial condition, reviews with management, internal auditors, and independent auditors, the systems of internal control, reviews the report of the independent auditors, and reviews adherence in accounting and financial reporting to generally accepted accounting principles.

A copy of the Audit Committee's charter may be found on the Bank's website at <http://www.elmirasavingsbank.com>.

The Audit Committee consists of Directors Brand, Cooper, Gapp, Howell, and Swain, all of whom are independent within the meaning of NASDAQ Stock Market Rule 5605. The Board has determined that Jerry B. Gapp is an "audit committee financial expert" within the meaning of Item 407(d)(5) of Regulation S-K under the Securities Act of 1933. Mr. Gapp was a Certified Public Accountant with Coopers & Lybrand and with the accounting firm formerly known as Carnevale, Niles, Whitney & Davis, and is a retired professor of accounting at Elmira College.

The committee held 5 meetings in 2009.

### **Annual Meeting Attendance**

The Bank encourages all members of its Board of Directors to attend the Annual Shareholders Meeting, but it has not adopted a formal policy requiring such attendance. All of the members of the Board of Directors of the Bank who were Directors at the time of the 2009 Annual Meeting of Shareholders attended.

### **Nomination of Director Candidates**

#### *Director Qualifications*

The Corporate Governance Committee has not established specific minimum age, education, years of business experience, or specific types of skills for potential candidates, but, in general, expects qualified candidates will have ample experience and a proven record of business success and leadership. The Board of Directors has developed a group of criteria designed to describe what qualities and characteristics are desired for the Board of Directors as a whole (the "Qualities"). No single Director is expected to have each Quality. The Qualities are reviewed annually by the full Board to ensure they remain pertinent. In general, the Qualities require that each Director will have the highest personal and professional ethics, integrity, and values; will consistently exercise sound and objective business judgment; and will have a comfort with diversity in its broadest sense. In addition to the criteria in the bylaws, it is anticipated that the Board as a whole will have individuals with significant appropriate leadership experience, a comfort with technology, a long-term and strategic perspective, and the ability to advance constructive debate. It will be important for the Board as a whole to operate in an atmosphere where the chemistry of the individuals is a key element.

#### *Identifying Director Candidates*

Except where a nominee is substituted as a result of the death or incapacity of a management nominee, the bylaws of the Bank provide for the Nominating Committee to submit nominations to the Secretary of the Bank at least 20 days prior to the date of the Annual Meeting. The Bank's bylaws provide that shareholders may nominate persons for election to the Board of Directors by submitting written nominations to the Secretary of the Bank at least five days prior to the Annual Meeting. If such nominations are made, ballots will be provided for use by shareholders at the Annual Meeting bearing the name of such nominee or nominees.

Similarly, if at any time the Committee or the Board determines there may be a need to add or replace a Director, the Corporate Governance Committee Chairman develops a Director profile by comparing the

current state of the Qualities with the desired state. If no candidates are apparent from any source, the Committee will determine the appropriate method to conduct a search.

Irrespective of how a candidate may be brought to the Corporate Governance Committee's attention, at the appropriate time, qualified candidates may be asked to conduct one or more personal interviews with appropriate members of the Board. Chosen candidates are extended an invitation to join the Board, and if a candidate accepts, is formally nominated.

#### *Shareholder Nomination of Director Candidates*

The Corporate Governance Committee will accept for consideration stockholders' nominations of individuals who meet the criteria set forth in the Bank's bylaws for election as Directors if made in writing. A nominee's written consent to nomination and sufficient background information on the candidate must be included to enable the Committee to make proper assessments as to his or her qualifications. Nominations must be addressed to the Secretary of the Bank at the Bank's main office and must be received no later than December 1, 2010 in order to be included in the proxy for the next annual election of Directors. The Corporate Governance Committee may also make its own search for potential candidates that may include candidates identified directly by a variety of means as deemed appropriate by the committee.

Upon receipt of a shareholder proposed candidate, the Chairman of the Governance Committee assesses the Board's needs, primarily whether or not there is a current or pending vacancy or a possible need to fulfill by adding or replacing a Director, and then develops a Director profile by comparing the current state of the Qualities with the desired state and the candidate's qualifications. The profile and the candidate's materials are forwarded to all committee members and consideration of the candidate is added as an agenda item for the next Corporate Governance Committee meeting.

#### **Shareholder Communication with Board of Directors**

Shareholders may communicate with the Bank's Directors in writing at Elmira Savings Bank, 333 East Water Street, Elmira, New York 14901. Shareholders may obtain copies of the Bank's charters for the Audit, Compensation, and Corporate Governance Committees, the bylaws, and the Bank's Code of Ethical Conduct, by writing to the Secretary of the Bank at the address set forth above.

#### **Shareholder Proposals**

Any shareholder proposals in conformity with federal securities laws intended to be presented for consideration at the 2011 Annual Meeting and to be included in the Bank's proxy statement for that meeting must be received by the Bank no later than December 1, 2010. In addition, if a shareholder intends to present a proposal for action at the 2011 Annual Meeting of Shareholders, the shareholder must provide the Bank with notice thereof between December 29, 2010 and January 28, 2011.

#### **Certain Relationships and Related Transactions**

Mr. Alexander, a Director and Corporate Secretary, is a partner in the law firm of Sayles & Evans, which rendered services to the Bank during 2009. In 2009, the Bank paid a total of \$269,850 to Sayles & Evans in legal fees and disbursements. In the opinion of management, the charges for such services were fair and reasonable to the Bank.



## **DIRECTOR COMPENSATION**

Employee directors do not receive any separate compensation for their service on the Board or on any committee of the Board. Non-employee directors receive a combination of directors' fees and equity compensation for their Board-related activities.

### **Directors' Fees**

The Board members received an annual fee of \$12,000, with an additional \$500 for each Board meeting attended, and an additional \$350.00 for each committee meeting attended. Committee chairpersons received \$500 for each meeting of their respective committees. The Audit Committee Chairperson received \$675 per meeting. The Chairman of the Board of Directors received \$19,000, with additional payments for meetings attended as noted above.

### **Equity Compensation**

On May 18, 2009, each Director was granted 1,241 options to purchase shares of the Bank's common stock at an exercise price of \$11.99 per share, the fair market value of the underlying shares of common stock on the date of the grant. These grants were made under the Bank's 2009 Non-Employee Directors' Equity Compensation Plan. The options were fully vested when granted and are exercisable during a ten-year period commencing May 18, 2009 and ending May 17, 2019. On August 1, 2009, each Director was awarded 2,500 shares of restricted stock under the Bank's 2009 Non-Employee Directors' Equity Compensation Plan, which shares shall vest in three equal installments over the three years following the grant of such shares.

### **Total Compensation**

Total compensation paid to all Directors in 2009 totaled \$576,851.

The following table provides information regarding compensation that was paid to the individuals who served as nonemployee Directors of the corporation during the year ended December 31, 2009. Except as set forth in the table, during 2009, Directors did not earn or receive compensation in the form of stock awards, option awards, or any other form.

## DIRECTOR COMPENSATION TABLE

Director Compensation for the Year Ended December 31, 2009

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
John R. Alexander	\$23,250	\$40,750	\$5,547	\$0	\$0	\$0	\$69,547
John "Skip" Brand III	\$27,525	\$40,750	\$5,547	\$0	\$0	\$0	\$73,822
Anthony J. Cooper	\$24,250	\$40,750	\$5,547	\$0	\$0	\$0	\$70,547
Jerry B. Gapp	\$26,575	\$40,750	\$5,547	\$0	\$0	\$0	\$72,872
George L. Howell	\$37,500	\$40,750	\$5,547	\$0	\$0	\$0	\$83,797
Thomas D. Morse	\$23,800	\$40,750	\$5,547	\$0	\$0	\$0	\$70,097
Kristin A. Swain	\$22,175	\$40,750	\$5,547	\$0	\$0	\$0	\$68,472
A. Scott Welliver	\$21,400	\$40,750	\$5,547	\$0	\$0	\$0	\$67,697

The amounts shown in the Stock Awards and Option Awards columns represent the aggregate grant date fair value of stock options and restricted stock granted to each Director as determined under the Financial Accounting Standards Board ASC Topic 718, excluding any forfeiture adjustments. The table below sets forth for each Director the number of options and stock awards held as of December 31, 2009.

Name	Number of Options Outstanding and Exercisable	Number of Stock Awards Outstanding	Number of Stock Awards Vested
John R. Alexander	11,400	2,500	-
John "Skip" Brand III	8,013	2,500	-
Anthony J. Cooper	10,271	2,500	-
Jerry B. Gapp	8,013	2,500	-
George L. Howell	4,626	2,500	-
Thomas D. Morse	11,400	2,500	-
Kristin A. Swain	8,013	2,500	-
A. Scott Welliver	10,271	2,500	-

**EXECUTIVE COMPENSATION**  
**SUMMARY COMPENSATION TABLE**

The following table sets forth the total compensation awarded to, earned by, or paid during 2009 and 2008 to our Chief Executive Officer and to Messrs. Carr and Berkley, who, after Mr. Hosey, were the two most highly compensated executive officers of the Bank in 2009:

Summary Compensation for the Year Ended December 31, 2009

Name and Principal Position	Year	Salary	Option Awards(1)	Bonus	Stock Awards(2)	Non-equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings(3)	All Other Compensation	Total
Michael P. Hosey President & CEO	2009	\$270,597	\$35,159	\$0	\$102,690	\$40,118	\$80	\$37,091	\$485,735
	2008	\$236,250	\$52,917	\$21,375	\$0	\$0	\$0	\$30,223	\$340,765
Thomas M. Carr EVP & COO	2009	\$160,354	\$31,134	\$0	\$0	\$23,741	\$16,119	\$19,497	\$250,845
	2008	\$140,000	\$26,951	\$11,875	\$0	\$0	\$0	\$20,651	\$199,477
Kevin J. Berkley SVP & MLO	2009	\$112,638	\$9,504	\$0	\$0	\$17,850	\$0	\$12,916	\$152,908
	2008	\$104,500	\$0	\$2,100	\$0	\$0	\$0	\$9,913	\$116,513

- (1) Amounts reported in this column represent the aggregate grant date fair value of the stock underlying options granted, computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in note 16 to our audited 2009 financial statements included in our annual report on Form 10-K.
- (2) Amounts reported in this column represent the aggregate grant date fair value of restricted stock granted, computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in note 16 to our audited 2009 financial statements included in our annual report on Form 10-K.
- (3) Amounts reported represent deemed earnings on compensation deferred under nonqualified deferred compensation plan, regardless of whether paid at a rate of interest exceeding 120% of the applicable federal long-term rate. Earnings on deferrals are calculated on the basis of returns received by the Bank on investment vehicles selected by participating executives.

**Employment Contracts**

None of the executive officers of the Bank are employed pursuant to written employment agreements, although certain aspects of each executive officer's compensation are governed by written plan documents and change in control agreements. All executive officers are at-will employees of the Bank.

**Executive Officer Base Salaries**

For the year 2009, the Compensation Committee targeted the mid-range of the base salary range for chief executive officers, chief operating officers, senior mortgage loan officers, and senior commercial loan officers, as provided in the Executive Compensation Review.

**Executive Officer Bonus Payments**

Messrs. Carr and Berkley were eligible for an annual bonus of fourteen percent of their eligible earnings under the Management Committee Incentive Plan, based on targets set for fiscal year 2008. Mr. Hosey received a bonus of \$40,118, Mr. Carr received \$23,741 in total for fiscal year 2009, and Mr. Berkley received a bonus of \$17,850.

## **Equity Compensation**

On May 18, 2009, Mr. Carr and Mr. Berkley each received a grant of stock options under the Bank's 2009 Incentive Compensation Plan. Mr. Carr received a grant of options to purchase 17,839 shares of common stock, and Mr. Berkley received a grant of options to purchase 10,292 shares. All options awarded had an exercise price of \$11.99 per share and are subject to a three-year vesting period.

On August 1, 2009, Mr. Hosey was awarded 6,339 shares of restricted stock. These shares have a vesting period of three years, though will not vest for so long as the Treasury Department holds shares of preferred stock issued by the Bank in connection with the Bank's participation in the Treasury Department's Capital Purchase Program.

## **Nonqualified Deferred Compensation**

Mr. Hosey and Mr. Carr participate in the Deferred Compensation Plan, a nonqualified deferred compensation plan sponsored by the Bank for select executive officers. Under the Deferred Compensation Plan, participants may defer receipt of up to 100% of their regular salaries in any given year. All participants are offered several investment options in which they may, at their election, invest the balance of their deferred compensation accounts. Earnings are credited to each participant's account in accordance with the rate of return on the participant's selected investment options. Distributions may be made from the Deferred Compensation Plan upon a participant's death, disability, or termination of employment. All expenses and taxes attributable to investment funds in which plan deferrals may be invested are paid by the Bank.

## **Other Compensation**

The Chief Executive Officer and Chief Operating Officer of the Bank were provided with use of a company-owned car. The named executive officers were provided with membership to the Elmira Country Club and the Elmira City Club. The membership dues and assessments of the clubs, along with the lease value of the automobile, prorated between the Bank and each executive officer based on personal and business usage, have been included in the "All Other Income" column of the Summary Compensation Table.

The Bank sponsors the Employee Stock Ownership and Savings Plan mentioned earlier, which is a combined 401(k) plan and employee stock ownership plan for the Bank's full-time employees. The 401(k) portion of the plan allows participants to make voluntary elective contributions by salary deferral and provides for matching contributions equal to 50% of an employee's contributions up to 6% of their annual compensation, subject to other limits set by applicable Federal law and regulations. Under the ESOP portion of the plan, the Bank contributes an amount equal to 5% of each qualifying participant's plan year compensation to his or her account under the Plan. All ESOP contributions are invested in the Bank's common stock, except to the extent that Federal law may require the Bank to permit participants to diversify the investment of their plan account balances. Combined 401(k) and ESOP contributions made by the Bank in 2009 were as follows: Mr. Hosey received \$20,494, Mr. Carr received \$14,380, and Mr. Berkley received \$8,640.

## **Change in Control Agreements**

Mr. Hosey has a Change of Control Agreement (the "Agreement") (which is not part of a written employment agreement) dated January 2, 2003. A "change of control" is defined in the Agreement to include the following: The acquisition by a person of twenty-five percent (25%) or more of the voting stock of the Bank; the incumbent Board members as of January 2, 2003, (and subsequent directors approved by them) cease to constitute a majority of the Board; or any change which would have to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A of the 1934 Act.

If during the term of the Agreement and following a change of control of the Bank, Mr. Hosey's employment with the Bank is terminated by the Bank other than for cause (as defined) or retirement, or is terminated by Mr. Hosey for good reason (which, as defined, includes a reduction in Mr. Hosey's pay, certain relocations of Mr. Hosey's office or a material reduction in responsibility, position, authority or duty), then (a) the Bank will pay to Mr. Hosey as severance an amount equal to two point ninety-nine (2.99) times Mr. Hosey's pay (defined as Mr. Hosey's base annual salary plus the average bonus in each of the two (2) preceding years); (b) the Bank will maintain in effect for three (3) years after the date of termination, for Mr. Hosey and his dependents, all welfare benefit plans in which Mr. Hosey was entitled to participate immediately prior to termination; (c) the Bank will pay to Mr. Hosey, in a single lump sum, an amount equal to the current plus three (3) additional years of retirement benefits that would be payable under retirement plans described above. If the amount payable to Mr. Hosey under his Agreement exceeds certain threshold amounts, federal excise tax could be imposed on Mr. Hosey and the Bank could lose a tax deduction for a portion of the payment. If the amount payable would result in such effects, the amount payable will be reduced by the amount the payment exceeds the threshold.

Three other officers of the Bank have change of control agreements including Mr. Carr and Mr. Berkley, similar to that of Mr. Hosey, except that (a) the severance payments under such plans is in an amount equal to 1.99 times each officer's pay, (b) welfare benefits are continued for two (2) years following the date of termination, and(c) the lump sum payment in lieu of retirement contributions is equal to the retirement benefits that would be payable under the retirement plans mentioned above for the year of termination and the two (2) immediately succeeding years.

All benefits afforded under any change in control agreement are limited to the extent required to prevent any such benefit from constituting an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code. The American Recovery and Reinvestment Act of 2009 contains provisions which limit the payment of "golden parachute payments" to senior executive officers of institutions which sold securities to the Treasury Department pursuant to the Capital Purchase Program, created under the Emergency Economic Stabilization Act of 2008. Such provisions may further limit the extent to which payments may be made under the aforementioned change in control agreements for so long as the Treasury Department owns shares of the Bank's preferred stock. Until regulations or guidance clarifying the meaning of such provisions is issued by the Treasury Department, the impact of such provisions on payments under executive officers' change in control agreements will be uncertain.

#### **Certain Transactions of Management with the Bank**

The Bank, like most financial institutions, offers mortgage and consumer loans to its Directors and salaried officers and employees. All loans to such persons were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable factors.

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

### Outstanding Equity Awards at December 31, 2009

Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable(1)	Number of Securities Underlying Unexercised Options Unexercisable(1)	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(2)	Market Value of Shares or Units of Stock That Have Not Vested	Underlying Value of Shares That Have Not Vested
Michael P. Hosey	2/1/04	4,531	-	\$19.68	2/1/14	-	\$ -	\$ -
	3/1/05	14,135	-	\$21.47	3/1/15	-	\$ -	\$ -
	3/1/06	11,633	-	\$20.12	3/1/16	-	\$ -	\$ -
	5/1/07	1,422	1,423	\$24.30	5/1/17	-	\$ -	\$ -
	5/1/08	1,134	3,405	\$14.87	5/1/18	-	\$ -	\$ -
	5/27/08	5,500	16,500	\$14.55	5/27/18	-	\$ -	\$ -
	8/1/09					6,339	\$	\$
		38,355	21,328			6,339	-	-
Thomas M. Carr	2/1/04	1,898	-	\$19.68	2/1/14	-	\$ -	\$ -
	3/1/05	6,048	-	\$21.47	3/1/15	-	\$ -	\$ -
	3/1/06	5,370	-	\$20.12	3/1/16	-	\$ -	\$ -
	5/1/07	780	780	\$24.30	5/1/17	-	\$ -	\$ -
	5/1/08	630	1,892	\$14.87	5/1/17	-	\$ -	\$ -
	5/27/08	2,750	8,250	\$14.55	5/1/18	-	\$ -	\$ -
	5/18/09	-	17,839	\$11.99	5/27/18	-	\$ -	\$ -
		17,476	28,761			-	-	-
Kevin J. Berkley	5/1/08	529	1,589	\$14.87	5/1/18	-	\$ -	\$ -
	5/18/09	-	10,292	\$11.99	5/18/19	-	\$ -	\$ -
		529	11,881			-	-	-

- (1) Equity awards granted in 2009 are subject to vesting conditions described above in the narrative disclosure following the Summary Compensation Table. Awards granted in fiscal year 2008 and prior years were made pursuant to the Bank's Long Term Incentive Plan adopted in 1999 and vest ratably over a four-year period commencing on their respective grant dates.
- (2) The vesting conditions to which Mr. Hosey's grant of restricted stock are subject are described above in the narrative disclosure following the Summary Compensation Table. All shares of restricted stock, even though unvested, have been included in his total shareholdings reported in the section entitled "Election of Directors."

### **Capital Purchase Program Executive Compensation Guidelines**

As a result of the Bank's participation in the United States Department of the Treasury's ("Treasury Department") Capital Purchase Program under the Emergency Economic Stabilization Act of 2008 ("EESA"), the Bank is subject to certain requirements under the EESA and the American Reinvestment and Recovery Act of 2009 ("ARRA") and Treasury Department regulations to be issued under both acts pertaining to the compensation paid by the Bank to its "senior executive officers" (for fiscal year 2010, Messrs. Hosey, Carr, Berkley, Sanford, and Short). These requirements, described briefly in this section, will apply for so long as any obligation arising from financial assistance provided under the Capital Purchase Program remains outstanding, not including any period during which the Treasury Department only holds warrants to purchase the Bank's Common Stock. When deciding to participate in the Capital Purchase Program, our Board weighed such of these requirements as had then been established and the impact they would have on the Bank against the additional capital available to the Bank through such program.

## **Clawback Requirement**

Under the ARRA, we are required to recover any bonus or incentive compensation paid to any senior executive officer and any of our next 20 most highly-compensated employees if such bonus or incentive compensation is based on statements of earnings, revenues, gains, or other criteria that are determined to be materially inaccurate.

## **Restriction on Incentive Compensation Paid to Highest-Paid Employee**

The ARRA prohibits the payment of any bonus or incentive compensation to the Bank's highest-paid employee (currently, Mr. Hosey) other than in the form of restricted stock which has a value not in excess of one-third of the total amount of annual compensation paid to such employee and which shall not fully vest before the Treasury Department ceases to hold any equity or debt position in the Bank. This limitation does not apply to bonus or incentive compensation required to be paid pursuant to a written employment contract executed on or before February 11, 2009.

## **Prohibition on Golden Parachute Payments**

The Bank is prohibited by the EESA and the ARRA from paying any "golden parachute payment" (an "excess parachute payment" as defined in Section 280G of the Code) to any senior executive officer or any of the next five of its most highly compensated employees. Under the EESA, this restriction applies to any compensation, the payment of which is conditioned on any severance from employment by a senior executive officer by reason of involuntary termination of the officer by the Bank or in connection with any bankruptcy, liquidation, or receivership of the Bank. This restriction applies in addition to the rules that deny employers deductions for excess parachute payments under Section 280G of the Code and the 20% excise tax levied on the senior executive officers who receive such amounts.

In the December 18, 2008 letter agreements entered into by and among the Bank and its senior executive officers, each such officer waived any right to any "golden parachute payment" as defined by the EESA. None of the Bank's senior executive officers has or at that time had any right to any such payment.

## **Luxury Expenditure Policy**

The ARRA requires the Board to adopt a Bank-wide policy regarding items to be identified by Treasury Department regulation as "excessive or luxury expenditures," which may include "excessive" expenditures on entertainment, events, office and facility renovations, aviation and other transportation, or other activities or events "that are not reasonable expenditures for staff development, reasonable performance incentives, or other similar measures conducted in the normal course [of] business operations." On [date], the Bank adopted such a policy, copies of which may be found on the Bank's website at <http://www.elmirasavingsbank.com>.

## **Other Requirements**

The Treasury Department has been authorized by statute to require any participant in the Capital Purchase Program, including the Bank, to meet "appropriate" standards for executive compensation and corporate governance, as may be set forth in future Treasury Department regulations.

## **Risk Management Checks and Balances**

The Bank's Compensation Committee believes that the design and governance of our executive compensation program is consistent with the highest standards of risk management. The design of our executive compensation program supports our risk management goals through an interlocking set of checks and balances.

- Rather than determining incentive compensation awards based on a single metric, the Compensation Committee applies a structured, principled framework that considers a balanced set of financial performance metrics that collectively best indicate successful management.
- In addition to financial metrics, the Compensation Committee applies its informed judgment, taking into account factors such as quality and sustainability of earnings, successful implementation of strategic initiatives, and adherence to risk and compliance policies and other core values of our company.
- Use of equity-based awards aligns our executive officers' interests with the interests of our stockholders, and the significant stock ownership requirements further enhance this alignment.

Together, these features of our executive compensation program are intended to:

- Ensure that our compensation opportunities do not encourage excessive risk taking;
- Focus our executive officers on managing our Bank towards creating long-term, sustainable value for our stockholders; and
- Provide appropriate levels of realized rewards over time.

### **EXECUTIVE OFFICERS**

Set forth below is the name of and certain information concerning each Executive Officer of the Bank:

**Michael P. Hosey**, age 52, has served as President and Chief Executive Officer since January 2, 2003. From 1995 to December 31, 2002 he served as Executive Vice President and Chief Operating Officer. He joined the Bank in 1984.

**Thomas M. Carr**, age 40, has served as Executive Vice President since 2004 and has served as Chief Operating Officer since January 2, 2008. From 2004 until April 1, 2009, he served as Chief Financial Officer.

**Jason T. Sanford**, age 36, has served as Senior Vice President since June 23, 2008 and as Chief Financial Officer since April 1, 2009. Previously, Mr. Sanford served as Senior Auditor at Cornell University.

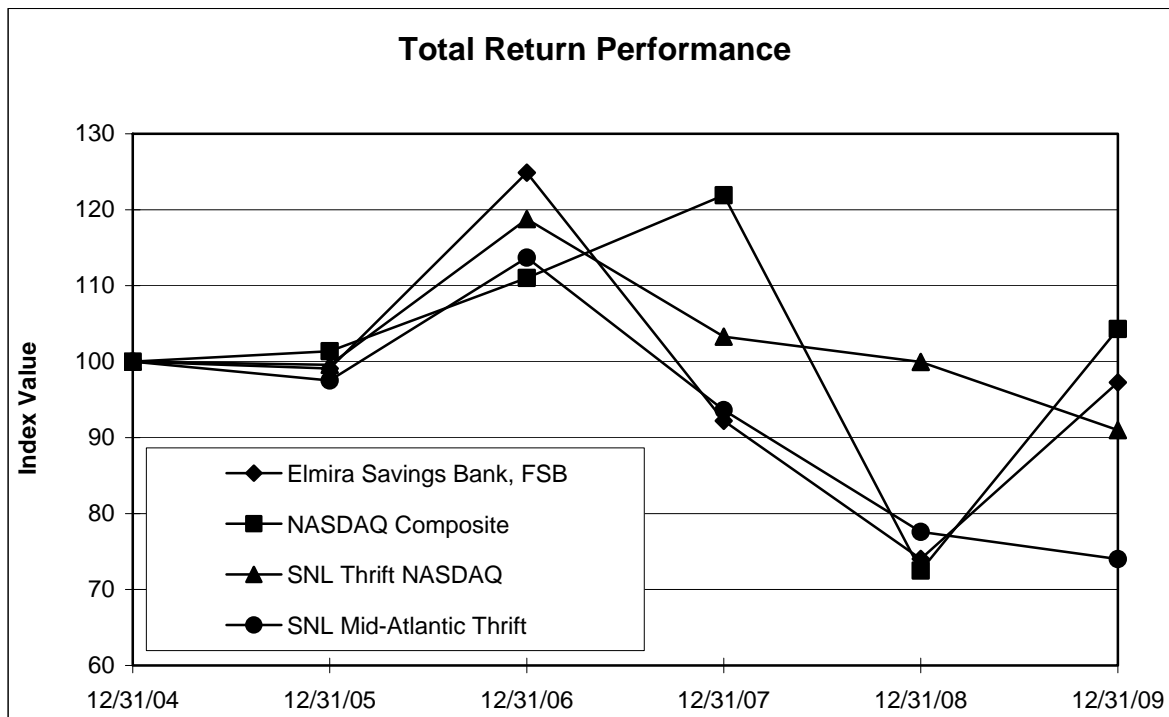
**Kevin J. Berkley**, age 55, has served as Senior Vice President and Mortgage Loan Officer since December 2007. Previously, Mr. Berkley served as Vice President and Commercial Loan Officer at Chemung Financial Corporation.

### **SHAREHOLDER RETURN PERFORMANCE GRAPH**

Set forth below is a line graph comparing the cumulative total shareholder return on Elmira Savings Bank Common Stock with the cumulative total shareholder return of (i) the NASDAQ Thrift Index return for the U.S. Stock Market; and (ii) SNL's total return index for Mid-Atlantic Thrift stocks as a peer group comparison. Total return assumes the reinvestment of cash dividends.



## Elmira Savings Bank, FSB



### SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The Office of Thrift Supervision requires the Bank's executive officers, Directors, and persons who own more than ten percent of the common stock, to file reports of beneficial ownership and changes in beneficial ownership in accordance with Section 16(a) of the Securities Exchange Act of 1934. Based solely upon its review of Forms 3, 4, and 5, the Bank believes that during 2009, all Section 16(a) filing requirements applicable to its executive officers, Directors, and greater than ten percent shareholders were met with timely filings to the Office of Thrift Supervision and NASDAQ.

### APPROVAL OF APPOINTMENT OF INDEPENDENT AUDITOR (Proposal 2)

The Audit Committee has approved, subject to the approval of the Bank's shareholders, the appointment of S.R. Snodgrass, A.C. as the Bank's independent auditor, to examine the consolidated financial statements of the Bank for the 2010 fiscal year. S.R. Snodgrass, A.C. served as the Bank's outside auditor with respect to the Bank's 2009 fiscal year. The firm has no significant relationship with the Bank except the existing professional relationship of independent auditor.

Fiscal Year 2009 was the first year that S.R. Snodgrass, A.C. served as the Bank's outside auditor. Previously, the Bank's outside auditor was KPMG, LLP, which firm was replaced on the Bank's initiative and upon the Audit Committee's recommendation effective January 1, 2009. No report by S.R. Snodgrass, A.C. or by KPMG, LLP on the Bank's financial statements for either of the past two years contained an adverse opinion or a disclaimer of opinion or was qualified or modified as to uncertainty, audit scope, or accounting principles. During the two most recently completed fiscal years, the Bank had no disagreements with KPMG, LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if they had not been resolved to the

satisfaction of KPMG, LLP would have caused the firm to reference the subject matter of such disagreements in connection with its report.

A representative of S.R. Snodgrass, A.C. is expected to be present at the Annual Meeting to be available to respond to appropriate questions and make a statement, if so desired.

The affirmative vote of a majority of the outstanding shares of common stock voting in person or by proxy at the Annual Meeting is required to ratify the appointment of S. R. Snodgrass, A.C. as the Bank's independent auditor for fiscal year 2010.

**The Board of Directors recommends a "FOR" the ratification of the appointment of S. R. Snodgrass, A.C. as the Bank's independent auditor for the fiscal year 2010.**

**NON-BINDING SHAREHOLDER VOTE ON EXECUTIVE COMPENSATION**  
**(Proposal 3)**

On February 17, 2009, the American Recovery and Reinvestment Act of 2009 ("ARRA") was enacted into law. The ARRA includes a provision that requires, among others, any participant in the Treasury Department's Troubled Asset Relief Program Capital Purchase Program "to permit" a separate shareholder vote to approve the compensation of its senior executive officers, as disclosed in its proxy statement. This requirement shall apply to the Bank for so long as the Bank owes any obligation to the Treasury Department which arises out of financial assistance provided pursuant to the Capital Purchase Program, but not including any period during which the Treasury Department only holds warrants to purchase the Bank's Common Stock.

We are providing you the opportunity, as a shareholder, to endorse our executive pay program and policies, as disclosed in this proxy statement, through adoption of the following resolution:

"RESOLVED, that the shareholders approve the compensation of the Bank's executive officers as disclosed in the Compensation Discussion and Analysis and accompanying tabular and narrative disclosure in this Proxy Statement."

As provided in the ARRA, this vote will not be binding on the Board and may not be construed as overruling any decision by the Board, as creating or implying any additional fiduciary duty with respect to the Board. This vote will not restrict or limit the ability of shareholders to make proposals for inclusion in proxy materials related to executive compensation. The Compensation Committee will, however, consider the outcome of this vote in its deliberations with respect to future executive compensation. We believe that our compensation policies and procedures are strongly aligned with the long-term interests of the Bank's shareholders.

**The Board of Directors recommends a vote "FOR" the approval of the compensation of the Bank's executive officers, as disclosed in this Proxy Statement.**

## **AUDIT AND NON-AUDIT SERVICES PRE-APPROVAL POLICY**

### **Statement of Principles for Audit and Non-Audit Services Pre-Approval**

The Audit Committee pre-approves the audit and non-audit services performed by the independent auditor in order to assure that the provision for such services does not impair the auditors' independence. The independent auditor has reviewed this policy and believes that implementation of the policy will not adversely affect the auditors' independence.

### **Pre-Approval Policy**

The Audit Committee reviews the services expected to be provided by the independent auditor to ensure that the provision of such services will not impair the auditor's independence. The Audit Committee will pre-approve fee levels which include each of the following categories: audit, audit-related, and tax compliance/planning services (individual projects less than \$10,000). Tax compliance/planning projects exceeding \$10,000 and all other services not pre-approved in the categories above will require specific pre-approval from the Audit Committee on an individual project basis. Approval for such services may be requested at the next Audit Committee meeting, or if earlier approval is necessary, it may be obtained in accordance with the Audit Committee's delegation to the Audit Committee Chairman as described in the "Delegation" section below.

### **Delegation**

The Audit Committee will not delegate its responsibilities to pre-approve services performed by the independent auditor to management. However, the Audit Committee has delegated pre-approval authority to the Audit Committee Chairman for unplanned services that arise during the year. This Chairman has the authority to review and approve permissible services up to \$10,000 per service provided that the aggregate amount of such services does not exceed the prior year audit fee. The Audit Committee Chairman must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

### **Services Pre-Approved by the Audit Committee**

The following describes the nature of the audit, audit-related, and tax services that have the Audit Committee's pre-approval and describes those services that the Bank's independent auditor cannot perform:

#### **Audit Services**

- Financial or statutory audits for the Bank
- Consultations related to accounting, financial reporting, or disclosure matters
- Services associated with periodic reports and other documents filed with the OTS

#### **Audit-Related Services**

- Due diligence services and consultation on accounting and financial reporting matters pertaining to potential business acquisitions/dispositions
- Internal control reviews
- Other attest services

#### **Tax Compliance and Planning**

- U.S. federal, state, and local tax compliance and planning

## Prohibited Non-Audit Services by the Independent Auditor

The Securities and Exchange Act of 1934 has been amended to prohibit the Bank from engaging the independent auditor to perform the following types of services:

- Bookkeeping or other services related to the accounting records or financial statements of the audit client
- Financial information systems design and implementation
- Appraisal or valuation services or fairness opinions
- Actuarial services
- Internal audit outsourcing services
- Management functions or human resources
- Broker or dealer, investment advisor, or investment banking services
- Legal services and expert services unrelated to the audit

## Audit Fees and Non-Audit Fees

S.R. Snodgrass, A.C. (“Snodgrass”) served as the Bank’s outside auditor for the fiscal year which ended on December 31, 2009. The following table presents fees for professional audit services rendered by Snodgrass for the audit of the Company’s consolidated financial statements as of and for the years ended December 31, 2009 and 2008, and fees billed for other services rendered by Snodgrass:

Audit fees, including the reviews of our interim consolidated financial statements included in our quarterly reports on Form 10-Q	<u>2009</u>	<u>2008</u>
	\$ 98,631	\$224,500
Audit-Related Fees		33,400
Tax Fees	800	0
Other	8,431	37,175
Total Fees	\$107,862	\$295,075

**Audit Fees:** These are fees for professional services rendered for the audit of the Bank’s consolidated annual financial statements and review of the consolidated financial statements included in the Bank’s quarterly reports on Form 10-Q, and for services that would normally be provided by the Bank’s auditor in connection with statutory and regulatory filings or engagements for the periods covered.

**Audit-Related Fees:** These are fees for professional services rendered for assurance and related services that are reasonably related to the performance of the audit of and review of the consolidated financial statements and are not already reported in the “Audit Fees.” These services were primarily related to accounting considerations and research related to our acquisition and stock offerings.

**Tax Fees:** These are fees for professional services rendered regarding tax compliance, tax advice, or tax planning. More specifically, these include fees billed for tax return preparation, quarterly estimates, tax planning, and tax-related research.

## Audit Committee Review

Our Audit Committee has considered whether Snodgrass’ provision of the non-audit services summarized in the preceding section is compatible with maintaining Snodgrass’ independence. The Audit Committee has concluded that the non-audit services do not affect Snodgrass’ independence.

## **REPORT OF THE AUDIT COMMITTEE**

In accordance with rules adopted by the SEC, the Audit Committee of the Board of Directors of the Bank makes this report for the year ended December 31, 2009:

The Audit Committee of the Board of Directors is responsible for providing the independent, objective oversight of the Bank's accounting functions and internal controls. During 2009, the Audit Committee was composed of five directors, each of whom is an "independent director" as defined by the standards for listing in NASDAQ. The Audit Committee operates under a written charter approved by the Board of Directors.

Management is responsible for the Bank's internal controls and financial reporting process. The independent accountants, S.R. Snodgrass, A.C. are responsible for performing an independent audit of the Bank's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and to issue a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes. The Audit Committee also appoints, subject to shareholder approval, S.R. Snodgrass A.C. as the Bank's independent auditors for fiscal 2010.

In connection with these responsibilities, the Audit Committee reviewed the audit plans, audit scope, and audit risks with both S.R. Snodgrass, A.C. and the Bank's internal audit function. The Audit Committee met with management and S.R. Snodgrass, A.C. to review and discuss the December 31, 2009 financial statements. The Audit Committee also discussed with S.R. Snodgrass, A.C. the matters required by Statement of Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee also received written disclosures from S.R. Snodgrass A.C. required by applicable requirements of the Public Company Accounting Oversight Board regarding S.R. Snodgrass A.C.'s communications with the Audit Committee concerning independence, and the Audit Committee discussed with S.R. Snodgrass, A.C. the firm's independence.

Based upon the Audit Committee's discussions with management and S.R. Snodgrass, A.C. and the Audit Committee's review of the representations of management and the independent accountants, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Bank's Annual Report on Form 10-K for the year ended December 31, 2009, to be filed with the Office of Thrift Supervision.

Submitted by the Audit Committee: John Brand III (Chairman); Anthony J. Cooper; Jerry B. Gapp, George L. Howell; and Kristin A. Swain

### **OTHER MATTERS**

The Bank is not aware that any matters, other than those mentioned above, will be presented for action at the 2009 Annual Meeting, but if any other matters do properly come before the meeting, the persons named as proxies will vote upon such matters in accordance with their best judgment.

The Board of Directors of the Bank urges each shareholder, whether or not he or she intends to be present at the Annual Meeting, to complete, sign, date, and return the enclosed proxy card promptly.

In the event of any questions, please call the Bank at (607) 734-3374.

THE ELMIRA SAVINGS BANK, FSB  
April 1, 2010