

The Advisor

February 2012

A Newsletter for Elmira Savings Bank Shareholders, Customers and Community

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New ESB branch location at 971 County Route 64 in Big Flats, NY.

Elmira Savings Bank Purchases New Branch Location

On Friday, January 13, 2012, Elmira Savings Bank (NASDAQ:ESBK) completed the purchase of the former Empower Federal Credit Union building located at 971 County Route 64 in Big Flats, NY.

"We are excited about securing a branch location in one of the busiest segments of our markets. This spacious facility has been recently constructed and offers the convenience of multiple lanes of drive-thru, along with an abundance of parking," said Thomas M. Carr, Executive Vice President and Chief Operating Officer. He continued, "The facility also contains 7,000 square feet of undeveloped space that we will be looking to lease out to a complementary business."

Elmira Savings Bank Completes Charter Conversion

Effective at midnight, December 31, 2011, Elmira Savings Bank successfully completed its conversion from a federally chartered savings bank to a New York State chartered savings bank.

"We are very pleased to be able to accomplish the charter conversion by year-end. We look forward to working with the New York State Department of Financial Services and appreciate the professionalism and courtesy extended to us by the Office of the Comptroller of the Currency during this process," said Michael P. Hosey, President and Chief Executive Officer.

Elmira Savings Bank

HISTORY

Jackson Richardson

Second President of Elmira Savings Bank 1890-1897

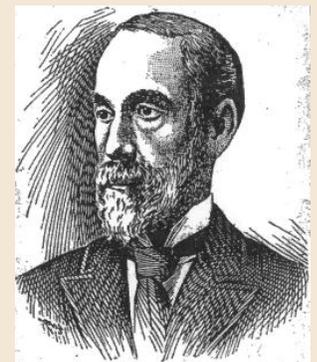
Jackson Richardson was born in Utica, NY, in 1829. He was the son of Thomas Richardson, and at an early age, he moved with his father to Almond, Allegany County, where the elder Richardson engaged in the business of manufacturing boots and shoes on a large scale. Jackson learned all the details of the business and soon displayed marked ability and an ambition to embark in business where he could have a wider field.

He moved to Elmira in 1861 and opened a shoe manufactory in the old wooden three-story block which stood upon the river bank near the Erie railroad and where the Odd Fellows' Temple was located. His business grew to such proportions that the old shop was far too small and a new structure was erected in 1877. This factory

was destroyed by fire in 1882 and was immediately rebuilt.

The Richardson building at Market Street and Railroad Avenue was of Italian gothic style, six stories tall, with a 28-foot steel tower topped with ornamental cresting. It was brick, trimmed with stone, but the crowning feature was the Town Clock made by Seth Thomas of Thomaston, CT, and purchased by Jackson at a cost of \$1,500. The Reverend Thomas K. Beecher was its voluntary caretaker.

The J. Richardson & Co. was a vital part of Elmira's economy in the late 19th century, producing 1,600 pairs of boots and shoes daily, and was one of the most important shoe manufacturing firms in New York State. Frederick H. Richardson, a son, succeeded Jackson as president of the company and remained until the business failed on May 15, 1908.



*Jackson Richardson
President of Elmira Savings Bank
1890-1897*

The building outlived the Richardson's and finally came down in 1962 for the Centertown Parking Area.

Jackson Richardson was a member of Trinity Episcopal Church and served as a warden in the church. He was also a trustee of Elmira College and took great interest in its affairs. He served as President of Elmira Savings Bank for seven years.

Elmira Savings Bank Posts Earnings

Elmira Savings Bank (NASDAQ:ESBK) today announced net income for the twelve months ended December 31, 2011 totaling \$5,029,000 or \$1.48 per diluted share, compared to the \$4,833,000 or \$1.56 per diluted share reported for the same period in 2010. This was an increase in net income of 4.1% or \$196,000.

Net income for the three months ended December 31, 2011 totaled \$1,291,000 or \$.40 per diluted share, compared to a net income of \$1,226,000 or \$.39 per diluted share in the fourth quarter of 2010.

Net interest income was \$15.6 million for 2011 compared to \$14.9 million in 2010. The increase in net interest income was partially offset by an increase in noninterest expense of \$343,000 or 2.9%.

Total assets increased by \$23.5 million or 4.7% from \$499.8 million on December 31, 2010 to \$523.4 million at December 31,

2011. Total outstanding loans increased by \$36.0 million or 11.6% from \$309.9 million as of December 31, 2010 to \$345.9 million as of December 31, 2011. Total deposits increased by \$25.1 million or 7.0% from \$356.6 million as of December 31, 2010 to \$381.7 million as of December 31, 2011.

"We are pleased with our results from 2011, achieving net income of over \$5 million for the first time in our institution's history. During 2011, we experienced strong loan growth in all our portfolios. We increased our residential loan portfolio by \$26 million or 15%, with over \$110 million of originations. Additionally, we increased our commercial loan portfolio by \$14 million or 14%, with over \$41 million of origination," said Michael P. Hosey, President and Chief Executive Officer.

Hosey continued, "Our net interest margin, asset quality, and efficiency all continue to be strong. The dividend yield on our common

stock is in excess of 5%. We continue to focus our commercial lending efforts on lending to small businesses."

Elmira Savings Bank, with \$523.4 million in total assets, is insured by the Federal Deposit Insurance Corporation (FDIC) and is a New York State chartered Bank with six offices in Chemung County, NY; three offices and a loan center in Tompkins County, NY; one office in Steuben County, NY; one office in Cayuga County, NY; one office in Schuyler County, NY; and a loan center in Cortland County, NY.

Except for the historical information contained herein, the matters discussed in this news release are forward-looking statements that involve the risks and uncertainties, including the timely availability and acceptance of Bank products, the impact of competitive products and pricing, the management of growth, and other risks detailed from time to time in the Bank's regulatory reports.

Shareholder Inquiries

The Bank's transfer agent is:
Registrar and Transfer Company
10 Commerce Dr.
Cranford, NJ 07016-3752
(800) 866-1340

The Bank's annual and quarterly reports, 10-K, and 10-Q will be furnished without charge upon written request to:
Thomas M. Carr
Executive Vice President
Chief Operating Officer
Elmira Savings Bank
333 E. Water Street
Elmira, NY 14901

The brokers currently making a market in the Bank's common stock are:
Stifel Nicolaus
Spear, Leeds & Kellogg
Moors & Cabot
Baird Patrick

Elmira Savings Bank SELECTED CONSOLIDATED INCOME STATEMENT ITEMS

(Unaudited)

(In thousands except per share amounts)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2011	2010	2011	2010
Net interest income	\$ 3,845	\$ 3,868	\$ 15,550	\$ 14,919
Provision for loan losses	141	80	668	515
Gain on sale of securities	152	5	448	474
Other noninterest income	1,230	1,070	4,279	4,119
Total noninterest expense	3,166	3,045	12,202	11,859
Income before taxes	1,920	1,818	7,407	7,138
Net income	1,291	1,226	5,029	4,833
Dividends on preferred stock	406	344	1,512	1,367
Accretion of preferred stock discount	0	21	252	84
Income available to common shareholders	885	861	3,265	3,382
Basic earnings per common share	\$ 0.41	\$ 0.40	\$ 1.52	\$ 1.59
Diluted earnings per common share	\$ 0.40	\$ 0.39	\$ 1.48	\$ 1.56
Dividends per common share	\$ 0.20	\$ 0.18	\$ 0.75	\$ 0.73

Elmira Savings Bank SELECTED CONSOLIDATED BALANCE SHEET ITEMS

(Unaudited)

(In thousands except per share amounts)

	December 31	December 31	
	2011	2010	
Total assets	\$ 523,358	\$ 499,839	(1) Per share data have been adjusted to reflect the 10% stock dividend, or 196,819 shares, distributed on December 28, 2011.
Loans receivable	345,982	309,945	
Allowance for loan losses	3,299	2,909	
Deposits	381,729	356,621	
Borrowings	70,019	81,093	
Shareholders' equity	64,615	56,451	
Book value per common share	\$ 18.83	\$ 17.45	

Elmira Savings Bank Announces Four New Directors

The Elmira Savings Bank is pleased to announce the election of four new members to their Board of Directors.

Thomas M. Carr serves as the Bank's Executive Vice President and Chief Operating Officer with broad management authority across all business lines and operations. Mr. Carr holds an MBA from LeMoyne College and attended the Dartmouth Tuck School Executive Development Program. He is a board member of ElmCo LLC, Chemung County Historical Society, Three Rivers Development, and Notre Dame High School.

Katherine H. Roehlke is President and Chief Executive Officer, F.M. Howell & Company, founded in 1883. The company provides full service packaging capabilities to the pharmaceutical and medical industries and consumer products manufacturers. Mrs. Roehlke is a graduate of Bucknell University and attended the Harvard University Executive Development Program. She has been a board member of Arnot Health and involved with Young Presidents International.

Arie "Jan" van den Blink is Chairman and Chief Executive Officer of The Hilliard Corporation

founded in Elmira, NY, in 1905. The company manufactures a broad line of motion control products and filtration products across many industries. Mr. van den Blink holds a B.S. Degree in Business Administration from Minnesota State University and a J.D. Degree from Rutgers University Law School. He is involved with many community organizations including the Clemens Center, Hilliard Foundation, Southern Tier Economic Growth, and the National Soaring Museum.

Marianne W. Young is President of Market Street Trust Company, Corning, NY. Prior to

joining Market Street Trust, Ms. Young practiced law at Harris, Beach & Wilcox, where she focused on corporate and banking law. She received a B.A. Degree from Mount Holyoke College and a M.S. Ed. from the University of Rochester. She also holds a J.D. Degree from Cornell Law School. She is a past President of the Board of Trustees of the Rockwell Museum in Corning, NY. She is a trustee of the Alternative School for Math and Science, a private middle school located in the Corning area, and a director on the board of the Finger Lakes Land Trust.

ESB Wins Eighth Consecutive United Way Tricycle Race

The eighth Annual United Way Tricycle Race was held on October 21, 2011. Four banks entered the event which was held at the Community Bank parking lot in downtown Elmira. Elmira Savings Bank was there to defend its title from Chemung Canal Trust, Five Star Bank and the host, Community Bank.

The race is held to benefit the United Way of the Southern Tier. It consists of a six-person relay race held on children's tricycles. The course is an up-and-back design, approximately 50' in both directions. The banks compete for the honor of holding the coveted Trike Trophy for the following year. It's also a lot of fun!

Despite a slightly chaotic start, ESB was leading by the first turn and never looked back. The ESB team kept its undefeated streak alive and cruised to its eighth consecutive victory.

As for the most important part, \$1,275 was raised for the United Way of the Southern Tier.



ESB's winning team - Shanna Flint, Colleen Manuel, Brad Serva, Crystal Tongue, Frank Spena & Kelly Bishop.

Elmira Savings Bank Christmas Float Receives Recognition

There are all kinds of floats in the world... There are bank floats, loan floats, pool floats, boats that float, and my favorite – root beer floats! (Yum!) There are also parade floats and this year a group of Elmira Savings Bank employees created an Elmira Savings Bank float to appear in the Elmira and Corning holiday parades.

Beginning in February of 2011 this small group of Bank employees began the job of building a float to join in the Elmira Downtown Parade and the Crystal City Parade of Lights held in Corning. Having no experience with this sort of project, this crew had a substantial task in front of them.

Through the summer, little by little, the plan and the float began to take shape... The theme: "The Night Before Christmas."

A large gift box and fireplace, (with smoke, no less,) a Christmas tree, lots of Christmas lights, a family, and even a large mouse

conveyed the idea of a cozy living room in anticipation of Christmas morning.

The job was made more difficult by the fact that the two parades were held on consecutive days. The float had to be ready to go for the Elmira parade on November 25, then taken apart, transported to Corning and reassembled in time for the Parade of Lights on November 26. A tremendous amount of thought and work was put in to make this happen successfully.

After some last-minute preparations, the float made it to the Elmira parade. Warmer than usual weather made life easier for the ESB crew and the parade went off without a hitch.

As the float was put together again in Corning, the team decided to add more lights to the float and pull-truck. Then they added more, and more. Our driver, Jim, now knows what it feels like to do what every little boy dreams about – to drive a real, live, Hess Christmas truck!

The ESB float crew could not have been happier with the results. The float



Elmira Savings Bank Christmas float.

was greeted with enthusiasm all along the crowded parade route. In the end, Elmira Savings Bank's "the Night Before Christmas" float placed second in the Judges' Choice. Making it to the parade was satisfying; taking a second place in a field of 60 floats was an unexpected but very welcome surprise for the first year out!

Welcome New ESB Employees

We are privileged to welcome six new employees to Elmira Savings Bank in the fourth quarter of 2011.

Melissa Clark joins us as our new Collector in the Collections Department. She has over 12 years of customer service experience and has Master and Bachelor degrees from Elmira College.

Danielle House is working in Commercial Lending as our new Commercial Loan Account Specialist. Danielle recently graduated from Syracuse University with a Bachelor's degree in Economics.

Jena Stockwell joins us at our West Elmira Branch as a Full-Time Teller. She has previous teller experience as well as customer service experience working in retail.

Jessica Haight works at our South Meadow Branch as a Full-Time Teller. She has previous customer service experience in retail and an Associate's degree from TC3.

Stefanie Schornsteimer is working as a Part-Time Teller at our Southport Branch. Stefanie has customer service experience working as a pharmacy technician.

Mindy Leader is our new Part-Time Teller at the Commons Branch. Mindy most recently has been working as a Director of Cataloging for National Books Auctions. She has a Bachelor's degree from Dickinson College.

Welcome to Elmira Savings Bank.

Congratulations to The Following Employee

Tricia Rennells has been promoted to Collections Manager. Tricia joined Elmira Savings Bank as a Collector in December of 2010. Tricia has over seven years of collection experience from two different collection agencies as Team and Unit Supervisors. Tricia holds both Bachelor and Master of Science degrees from Elmira College as well as a Bachelor's degree from Mansfield University. **Congratulations, Tricia.**

333 East Water Street
Elmira, NY 14901

Elmira
Savings Bank



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