June 2013 | A Newsletter for Elmira Savings Bank Shareholders, Customers and Community | Vol. 3 No. 3

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Elmira Savings Bank

Carr Speaks at Chamber Event

Thomas M. Carr, President and Chief Operating Officer of Elmira Savings Bank, was a featured panelist at the 20th Annual Economic Forum held on February 12, 2013 at the Holiday Inn Riverview in Elmira, NY. Mr. Carr discussed the value of community banks to the local community, the growth of Elmira Savings Bank over the last ten years, and the company's focus on its employees and providing excellent customer service.

Other featured panelists were Kevin McLaughlin, Regional Director of Empire State Development, Bill Beecher, President of Chapel Lumber Company, and Mitchell Wolff, Managing Partner of Horseheads Sand and Transloading (HOST) Terminal. More than 250 business and community leaders attended the event, which is sponsored annually by Elmira Savings Bank, Southern Tier Economic Growth, and the Chemung County Chamber of Commerce.

Customer Appreciation Weeks Coming Up

Please join us during our 2013 Customer Appreciation Weeks, featuring free food and entertainment.
See your local branch for complete details.

Southport: June 24-28
Commons: July 1-5
Main Office: July 8-12
Erwin: July 8-12
Horseheads: July 15-19
Moravia: July 22-26
West Elmira: July 29-August 2
South Meadow: August 5-9
Corning: August 12-16
Elmira Heights: August 12-16
Triphammer: August 19-23
Big Flats: August 26-30

Elmira Savings Bank — HISTORY

JOHN W. HUSTON
President 1923 – 1933

John W. Huston was born on August 1, 1844 near Lockport, New York. At 17, he left the family farm and went to New York City to seek his fortune. After working for ten years in a clothing store there, he saved enough money to move to Elmira in 1871 to open a small store on East Water Street specializing in men's hats, clothing, and women's furs. The business prospered and after remaining in the retail clothing business for 45 years, Mr. Huston devoted himself to banking.

In the early 1900's, Mr. Huston became a trustee of Elmira Savings Bank and later served several years as vice president before becoming President in 1923. The application of the business principles which had made him a success in retailing brought him success in banking. Known for his kindness and willingness to help others, Mr. Huston made the following statement while being interviewed on his 85th birthday: "If I have succeeded in life it is because I have helped others, for only by helping others to grow and be happy does one become happy himself. It is the joy you spread that makes you happy, not the joy you bury unto yourself. The greatest asset to anyone in trouble is a smile—long and lasting." Mr. Huston died on January 18, 1933 at the age of 88.

Elmira Savings Bank Reports First Quarter Earnings

Highlights

- Net income increased to $1,192,000 for the three months ended March 31, 2013 compared to $1,158,000 for the same period in 2012.
- Diluted earnings per share were $.32 per share for the three months ended March 31, 2013, the same as the same period in 2012.
- Return on average assets was .91% for the three months ended March 31, 2013 compared to .90% for the same period in 2012.
- Return on average equity was 7.26% for the three months ended March 31, 2013 compared to 7.12% for the same period in 2012.
- Noninterest income increased to $1,485,000 for the three months ended March 31, 2013 compared to $1,250,000 for the same period in 2012. This represents an increase of 19% for the three months ended March 31, 2013.
- "We are pleased to have a strong start to 2013," said Michael P. Hosey, President and Chief Executive Officer. Hosey continued, "During the first quarter, our loan volume has remained strong and we expanded our geographic footprint with our expansion into Erwin, NY, in January."
- Total assets decreased $26.0 million or 5% to $510.9 million at March 31, 2013 compared to $536.9 million at December 31, 2012. Loans receivable decreased 1% to $374.5 million at March 31, 2013 compared to December 31, 2012. The available-for-sale investment portfolio decreased $4.0 million from December 31, 2012 to March 31, 2013.
- "At the end of the first quarter, the Bank redeemed $10.5 million of preferred stock. Despite the reduction in capital, the Bank continues to maintain strong capital ratios. The redemption will reduce our preferred dividends and help to increase our earnings per common shareholder in future periods," said Michael P. Hosey, President and CEO. Hosey continued, "The first quarter also evidenced depositors using excess funds to extinguish debt or reenter the equity markets."

Elmira Savings Bank
CONSOLIDATED BALANCE SHEET
(Unaudited)

(in thousands, except for share and per share data)	March 31, 2013	December 31, 2012	% Change
ASSETS			
Cash and due from banks	$20,664	$39,641	-47.9%
Federal funds sold and other short-term investments	524	684	-23.4%
Total cash and cash equivalents	21,188	40,325	-47.5%
Securities available for sale, at fair value	62,891	66,875	-6.0%
Securities held to maturity - fair value $6,334 at March 31, 2013, and $5,853 at December 31, 2012	6,002	5,521	8.7%
Federal Reserve and Federal Home Loan Bank (FHLB) stock, at cost	9,679	9,178	5.5%
Loans held for sale	2,471	3,167	-22.0%
Loans receivable	374,477	378,108	-1.0%
Less: Allowance for loan losses	3,724	3,740	-0.4%
Net loans	370,753	374,368	-1.0%
Premises and equipment, net	8,043	7,947	1.2%
Bank-owned life insurance	12,078	11,988	0.8%
Accrued interest receivable	1,575	1,529	3.0%
Intangible assets, net	289	316	-8.5%
Goodwill	12,320	12,320	0.0%
Other real estate owned	137	125	9.6%
Other assets	3,489	3,277	6.5%
Total assets	$510,915	$536,936	-4.8%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits	$395,091	$409,565	-3.5%
Borrowings	54,000	54,000	0.0%
Other liabilities	5,147	6,462	-20.3%
Total liabilities	454,238	470,027	-3.4%
Shareholders' equity:			
Preferred stock, $1,000 liquidation value per issued share; 5,000,000 shares authorized; 13,515 shares issued at March 31, 2013 and at 24,063 shares issued at December 31, 2012	13,215	23,763	-44.4%
Common stock, $1 par value; authorized 5,000,000 shares; 2,509,865 shares issued at March 31, 2013 and 2,454,840 shares issued at December 31, 2012	2,510	2,455	2.2%
Additional paid-in capital	41,470	41,448	0.1%
Retained earnings	1,109	868	27.8%
Treasury stock, at cost - 116,268 shares at March 31, 2013 and 125,865 shares at December 31, 2012	(3,327)	(3,548)	-6.2%
Accumulated other comprehensive income	1,644	1,872	-12.2%
Total Elmira Savings Bank shareholders' equity	56,621	66,858	-15.3%
Noncontrolling interest	56	51	9.8%
Total shareholders' equity	56,677	66,909	-15.3%
Total liabilities and shareholders' equity	$510,915	$536,936	-4.8%

Elmira Savings Bank
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

(in thousands, except for per share data)	Three Months Ended March 31, 2013	2012	% Change
Interest and Dividend Income:			
Interest and fees on loans	$4,473	$4,574	-2.2%
Interest and dividends on securities			
Taxable	447	575	-22.3%
Non-taxable	185	200	-7.5%
Total interest and dividend income	5,105	5,349	-4.6%
Interest Expense:			
Interest on deposits	829	2,185 947	-12.5%
Interest expense on borrowings	477	634	-24.8%
Total interest expense	1,306	1,581	-17.4%
Net interest income	3,799	3,768	0.8%
Provision for loan losses	180	125	44.0%
Net interest income after provision for loan losses	3,619	3,643	-0.7%
Noninterest Income:			
Service fees	316	322	-1.9%
Net gain on sale of loans	848	656	29.3%
Net gain on sale of securities	61	-	
Other service fees	154	164	-6.1%
Earnings on bank-owned life insurance	90	82	9.8%
Other	16	26	-38.5%
Total noninterest income	1,485	1,250	18.8%
Noninterest Expense:			
Salaries and benefits	1,821	1,652	10.2%
Net occupancy	325	302	7.6%
Equipment	259	217	19.4%
Regulatory assessments	105	100	5.0%
Marketing and public relations	147	146	0.7%
Professional fees	169	184	-8.2%
Other	550	614	-10.4%
Total noninterest expense	3,376	3,215	5.0%
Income before income taxes	1,728	1,678	3.0%
Income taxes	536	520	3.1%
Net income	1,192	1,158	2.9%
Less: Net income attributable to noncontrolling interest	-	-	
Net income attibutable to Elmira Savings Bank	1,192	1,158	2.9%
Dividend on preferred stock	401	395	1.5%
Income available to common shareholders	$791	$763	3.7%
Basic earnings per share	$0.34	$0.34	0.0%
Diluted earnings per share	$0.32	$0.32	0.0%
Weighted average shares outstanding - basic	2,334,550	2,262,917	3.2%
Weighted average shares outstanding - diluted	2,471,344	2,353,433	5.0%
Dividends per share	$0.23	$0.21	9.5%

Per share data has been restated to reflect the 5% stock dividend paid on December 28, 2012.

Online Banking Authentication Upgrade

On May 6, 2013 our Online Banking system was upgraded to enhance security and better protect customer financial information. While the new security enhancements changed the login process, Online Banking continues to be available anytime/anywhere.

The most noticeable difference is the removal of the security picture and phrase, which appeared when logging in. In addition, you are no longer required to formally register your computer when logging in from a different location. The upgraded system has technology that recognizes whether you have accessed Online Banking from that particular PC and internet connection combination before and has a more secure behind the scene validation process.

Instead of challenge questions that were presented in the past, you may be asked to validate your identity through a one-time security code via a phone call or SMS text message. Calls or text messages will be placed to phone numbers you previously provided to us. You will then be required to enter a one-time security code either by telephone, if a home number is being utilized, or through the computer, if a text message was chosen.

The phone numbers we have on file can be reviewed and updated by logging on to Online Banking and selecting the "Administration" tab, followed by the "Manage Contact Information" option.

Questions regarding this change can be answered by contacting our Call Center at (607) 734-3374, (888) 372-9299, or by visiting your local branch office.

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
President/CEO
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

Welcome New ESB Employees!

We are privileged to welcome four new employees to Elmira Savings Bank in the first quarter of 2013.

Julie Wenck joins our Operations Department as an Operations Representative. She brings with her over four years of retail customer service experience. Julie has a Bachelor's degree from University of Dayton and a Masters degree from Elmira College.

Joe Klaiber joins Elmira savings Bank as our new Compliance Officer. He brings with him over 12 years of related experience, eight of which was in the role of Compliance Officer at a credit union. He has a Bachelor's degree in Business from Penn State University.

Melissa Bauer joins our Operations Department as an Operations Representative. She brings with her over 12 years of banking experience – some with ESB back in 2001 and 2002.

Deb Burlingame joins our Triphammer Branch as a Teller. She brings with her over 20 years of customer service experience - four years of which was in banking.

Welcome to Elmira Savings Bank!

Congratulations to the Following Employee!

Shannon Bailey has been promoted to Branch Manager of the Big Flats branch.

Shannon joined Elmira Savings bank as a Peak-Time Teller in January of 1993. Shannon's long career with ESB has progressed through several promotions including: Teller Coordinator in 1995, Consumer Loan Officer in 1999 and Assistant Branch Manager in 2002.

Shannon exemplifies the customer service spirit and can-do attitude that keeps customers returning to Elmira Savings Bank!
Congratulations Shannon!

Elmira Savings Bank
333 East Water Street
Elmira, NY 14901

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