The Advisor

May 2014 | A Newsletter for Elmira Savings Bank Shareholders, Customers and Community | Vol. 4 No. 3

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Calendar of Events

Brand Park Concerts
Sundays throughout the summer
3:00 – 5:00 p.m.
Beginning June 29 with
Joe Cavallaro's Dixieland Band

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Customer Appreciation 2014
Southport: July 7-11
Moravia: July 14-18
South Meadow: July 21-25
West Elmira: July 28–August 1
Erwin: August 11-15
Horseheads: August 18-22

The Advisor is published quarterly by Elmira Savings Bank

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Elmira Savings Bank

President's Message

Thomas M. Carr
President,
Chief Operating Officer

Elmira Savings Bank is a publicly-owned company that has been traded on the NASDAQ Stock Exchange since the mid-1980's. The Bank's trading symbol is ESBK and the Bank has 2,690,654 common shares issued and outstanding, with a market value of approximately $60 million.

Over the last year, the Bank has traded between $25.71 and $18.34 dollars per share. At April 30, 2014, we closed daily trading at $23.40 per share. The Bank returned 26% to its shareholders during 2013 and has performed better over the last five years than many key stock indexes (see insert). At our current per share price and cash dividend levels, an investor could expect a return of approximately 4% in dividend yield.

The Bank has paid a quarterly cash dividend since its inception on the stock exchange. The Bank's directors, officers, and employees own approximately 30% of outstanding shares.

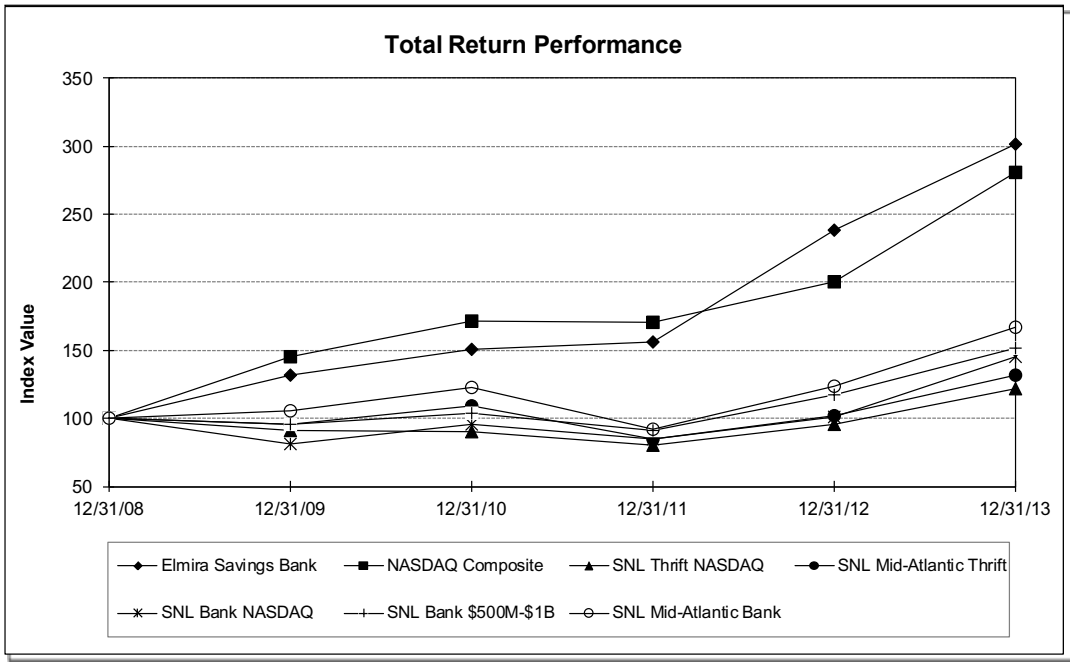
Unlike many public companies where investors cannot obtain a firsthand opinion of the company's operations, employees, or business philosophies, we provide potential investors the opportunity to visit branches and experience the quality of our service on a firsthand basis. For our many existing loyal customers, we offer the opportunity to invest in our organization and participate in the benefits we have provided to shareholders over the years.

We currently have 125 employees, almost all of whom are customers and shareholders. The Bank has approximately 475 shareholders, with a very large percentage being Bank customers. The Bank has thousands of customers, many of whom would benefit from being Bank shareholders.

Individuals interested in acquiring Elmira Savings Bank shares should inquire with their financial advisor, stockbroker, or one of our ESB Advisory Services representatives to see if owning Elmira Savings Bank stock makes sense for their personal financial situation.

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.

Elmira Savings Bank



Elmira Savings Bank Reports First Quarter Earnings

Highlights

- Net income was $1,060,000 for the three months ended March 31, 2014 compared to $1,192,000 for the same period in 2013. Income available to common shareholders after dividends on preferred stock increased 5.6% to $835,000 for the three months ended March 31, 2014 compared to $791,000 for the same period in 2013.
- Diluted earnings per share was $.30 per share for the three months ended March 31, 2014 compared to $.29 per share for the same period in 2013. This represents an increase of 3.4% for the three months ended March 31, 2014 compared to the same period in 2013.
- Return on average assets was .84% for the three months ended March 31, 2014 compared to .91% for the same period in 2013.
- Return on average equity was 7.82% for the three months ended March 31, 2014 compared to 7.26% for the same period in 2013.

"We are pleased to report a 5.6% increase in income available to common shareholders for the first quarter of 2014, compared to the same period in 2013, despite slightly lower net income," said Thomas M. Carr, President and Chief Operating Officer. Carr continued, "Our decision to retire preferred shares in 2013 has greatly reduced our level of preferred dividend payments, benefiting our common shareholders who were also rewarded with a $.23, or 4% annualized, common dividend in the first quarter."

Shareholders' Equity

Shareholders' equity increased $738,000 to $54.8 million at March 31, 2014 compared to December 31, 2013. The current level of shareholders' equity equates to a book value per share of $16.78 at March 31, 2014, compared to $16.64 at December 31, 2013. Dividends paid to common shareholders were $0.23 for the three months ended March 31, 2014 compared to $0.21 for the same period in 2013, representing an increase of 9.5%.

Elmira Savings Bank
CONSOLIDATED BALANCE SHEET
(Unaudited)

(in thousands, except for share and per share data)	March 31, 2014	December 31, 2013	% Change
Cash and due from banks	$9,379	$7,077	32.5%
Federal funds sold and other short-term investments	530	564	-6.0%
Total cash and cash equivalents	9,909	7,641	29.7%
Securities available for sale, at fair value	57,688	63,464	-9.1%
Securities held to maturity - fair value $8,235 at March 31, 2014, and $8,302 at December 31, 2013	7,742	7,805	-0.8%
Federal Reserve and Federal Home Loan Bank (FHLB) stock, at cost	10,433	10,417	0.2%
Loans held for sale	1,291	1,847	-30.1%
Loans receivable	392,146	389,129	0.8%
Less: Allowance for loan losses	3,851	3,834	0.4%
Net loans	388,295	385,295	0.8%
Premises and equipment, net	9,202	8,620	6.8%
Bank-owned life insurance	12,477	12,387	0.7%
Accrued interest receivable	1,520	1,454	4.5%
Intangible assets, net	188	210	-10.5%
Goodwill	12,320	12,320	0.0%
Other assets	2,873	2,865	0.3%
Total assets	$513,938	$514,325	-0.1%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits	$394,951	$397,733	-0.7%
Borrowings	59,800	56,500	5.8%
Other liabilities	4,424	6,067	-27.1%
Total liabilities	459,175	460,300	-0.2%
Shareholders' equity:			
Preferred stock, $1,000 liquidation value per issued share; 5,000,000 shares authorized; 10,000 shares issued at March 31, 2014 and at December 31, 2013	9,700	9,700	0.0%
Common stock, $1 par value; authorized 5,000,000 shares; 2,786,504 shares issued at March 31, 2014 and 2,776,240 shares issued at December 31, 2013	2,787	2,776	0.4%
Additional paid-in capital	41,896	41,693	0.5%
Retained earnings	2,703	2,485	8.8%
Treasury stock, at cost - 104,418 shares at March 31, 2014 and 116,268 shares at December 31, 2013	(3,053)	(3,327)	-8.2%
Accumulated other comprehensive income	676	644	5.0%
Total Elmira Savings Bank shareholders' equity	54,709	53,971	1.4%
Noncontrolling interest	54	54	0.0%
Total shareholders' equity	54,763	54,025	1.4%
Total liabilities and shareholders' equity	$513,938	$514,325	-0.1%

Elmira Savings Bank
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

December 31, (in thousands, except for per share data)	Three Months Ended March 31, 2014	2013	% Change
Interest and dividend income:			
Interest and fees on loans	$4,397	$4,473	-1.7%
Interest and dividends on securities			
Taxable	464	447	3.8%
Non-taxable	204	185	10.3%
Total interest and dividend income	5,065	5,105	-0.8%
Interest expense:			
Interest on deposits	742	2,185 829	-10.5%
Interest on borrowings	450	477	-5.7%
Total interest expense	1,192	1,306	-8.7%
Net interest income	3,873	3,799	1.9%
Provision for loan losses	54	180	-70.0%
Net interest income after provision for loan losses	3,819	3,619	5.5%
Noninterest income:			
Service fees	329	316	4.1%
Gain on sale of loans held for sale	448	848	-47.2%
Gain on sale of securities	216	61	254.1%
Other service fees	164	154	6.5%
Earnings on bank-owned life insurance	91	90	1.1%
Other	41	16	156.3%
Total noninterest income	1,289	1,485	-13.2%
Noninterest expense:			
Salaries and benefits	1,839	1,821	1.0%
Net occupancy	416	325	28.0%
Equipment	250	259	-3.5%
Marketing and public relations	200	147	36.1%
Professional fees	161	169	-4.7%
Other	697	655	6.4%
Total noninterest expense	3,563	3,376	5.5%
Income before income taxes	1,545	1,728	-10.6%
Income taxes	485	536	-9.5%
Net income	1,060	1,192	-11.1%
Less: Net income attributable to noncontrolling interest	-	-	-
Net income attibutable to Elmira Savings Bank	1,060	1,192	-11.1%
Dividend on preferred stock	225	401	-43.9%
Income available to common shareholders	$835	$791	5.6%
Basic earnings per share	$0.31	$0.31	0.0%
Diluted earnings per share	$0.30	$0.29	3.4%
Weighted average shares outstanding - basic	2,657,141	2,568,005	3.5%
Weighted average shares outstanding - diluted	2,789,840	2,718,478	2.6%
Dividends per share	$0.23	$0.21	9.5%

Per share data has been restated to reflect the 10% stock dividend paid on December 27, 2013.

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/COO
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

Valentine's Day – We Love Our Customers

On Friday, February 14, Elmira Savings Bank showed some love on Valentine's Day with a one-day Customer Appreciation event. Hershey's Kisses and cookies were the order of the day. A $150 dining gift certificate was raffled at each branch. The Grand Prize, drawn from all of the branch entries, was a one night stay at the Watkins Glen Harbor Hotel along with a gift certificate to Captain Bill's Seneca Lake Cruises & Seneca Harbor Station. Hopefully the idea of a summer day and evening around Seneca Lake brought some warm thoughts into the bitter cold winter.

Cabin Fever on Market Street

On February 28 Elmira Savings Bank participated in the 11th Annual Wine and Beer Tasting Cabin Fever event in Corning, NY. We proudly hosted Standing Stone Vineyards as Tom Schill provided tastings to the guests. All participants received a wine and beer glass, and complimentary shuttles ran up and down Market Street. New this year was the Drink Responsibly Designated Driver Appreciation Program and each business provided a special gift for the designated drivers. The program supports a very important message to our guests and our community. Elmira Savings Bank provided coffee mugs and sports drink bottles filled with snack bars. Elmira Savings Bank staff, Christina Losey, Jena Senefelder and Phylis Jensen enjoyed handing out chocolates and beads to the many visitors attending the event.

Volunteers: Front (l-r): Shannon Bailey, Amy Ward, Renee Wheeler, Tricia Rennells. Back (l-r): Frank Spena, Peggy Phillips, Blair Rothenberg, Tina Dittler, Sue Walsh, Debbie Knowles, Kim Rockwell, Ashley Tallarida, Christine Snyder. Not shown: Sue Cook and Donna Tangorre.

Community Corner

"Meals on Wheels…so no senior goes hungry."

Meals on Wheels of Chemung County is a local non-profit organization which prepares, packages and delivers nutritious meals to those in need in our community. The meals are prepared fresh daily and provide one third of the recommended daily allowance per meal for persons age 60 and older. The meals are delivered by a network of 200+ volunteers Monday thru Friday, except holidays. Over 250 clients are served each day and over 88,000 meals were delivered to community citizens last year.

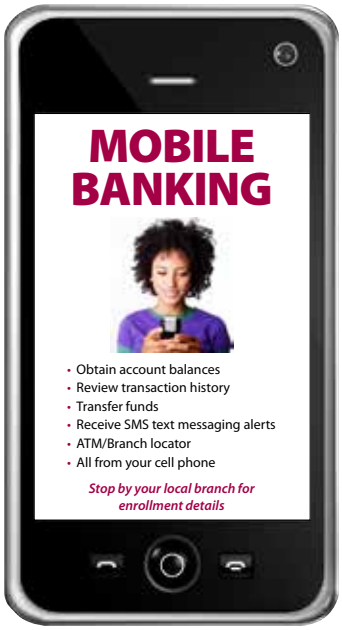
Pictured (above) are Elmira Savings Bank employees who volunteer their time to deliver meals in the community on a weekly basis. Darlene Ike, Executive Director of Meals on Wheels of Chemung County, said, "We are always thrilled to have individuals adopt a route. It is exciting to see them out in the community and take pride in "their route". The employees from Elmira Savings Bank have developed into a group we can really rely on and have proven to go above and beyond many times."

Attention Mobile Banking Users:

An upgraded version of our mobile banking will be available after May 18, 2014. Depending on whether you are using our mobile application, mobile web, or SMS (text message) service, the upgrade may include enhancements to the functionality, as well as a new security feature that includes challenge questions based on public information. Some examples include, you may be asked to identify the year of a vehicle you own, to identify the county of a street you once lived on, or to identify your type of residence.

Please feel free to contact our Call Center at (607) 734-3374, or stop by your local branch office with questions or for additional assistance.

We appreciate your business, thank you for choosing Elmira Savings Bank!



Elmira Savings Bank Announces New Director

Dr. Lambert
President and CEO of the Arnot Health System

Elmira Savings Bank is pleased to announce the election of Robert K. Lambert, M.D., to the Board of Directors.

Dr. Lambert is President and Chief Executive Officer of the Arnot Health System in Elmira, NY, a three hospital regional health system employing approximately 2,800 medical staff and employees. He is certified by the American Board of Internal Medicine, received his medical education from the University of Rochester School of Medicine and Dentistry in Rochester, New York, and completed his internship in internal medicine at the University of Nebraska College of Medicine in Omaha, Nebraska.

"We are very pleased to be adding Dr. Lambert to our Board of Directors. We are sure he will be a great asset to our organization," said Michael P. Hosey, Chief Executive Officer.

Elmira Savings Bank HISTORY

Lee D. Blackwell
President 1967 – 1970

Lee Blackwell, a native of West Burlington Township, Pennsylvania, joined Elmira Savings Bank upon graduation from Sayre High School in 1928. He served in the Army during World War II. His wife, Mary Clara, taught Braille and was an active member of the Southern Tier Association for the Blind. They were the parents of a son, DeLos, and a daughter, Claire.

During his banking career, Mr. Blackwell held various positions in all departments including Mortgage Officer, Secretary, and Vice President during the 1960s. He succeeded the late Russell F. Gee, Jr. as President of the bank in 1967, serving until his own untimely death in early 1970.

Lee D. Blackwell

Elmira Savings Bank Purchases Bank Building

Elmira Savings Bank has acquired a former bank building located at 712 N. Franklin Street, Watkins Glen, New York. The bank will be making renovations during 2014 and intends to open a full-service branch in early 2015.

"We are excited about expanding our branch network into the community of Watkins Glen," said Thomas M. Carr, President and Chief Operating Officer. He continued, "We have many existing customers in the market and look forward to bringing them an added level of convenience."

Branch Hours

For a complete listing of our branch hours and ATM locations, please visit our website at www.elmirasavingsbank.com AND remember our convenient Saturday hours.

SATURDAY Lobby & Drive Thru Hours (Effective 3/1/14)

2149 Grand Central Ave., Horseheads	9 a.m. – Noon
1135 Penna. Ave., Elmira	9 a.m. – Noon
971 County Rt. 64, Big Flats	9 a.m. – 1 p.m.
404 S. Hamilton St., Painted Post	9 a.m. – Noon
702 S. Meadow, Ithaca	9 a.m. – 1 p.m.
2300 N. Triphammer Rd., Ithaca	1 p.m. – 4 p.m.
142 Main St., Moravia	9 a.m. – Noon

"Let Us Introduce Ourselves"

Located in the heart of downtown, our Elmira Savings Bank Main Office branch is located at 333 East Water Street in Elmira, NY. The Main Office building was purchase in 1996 from Arnot Realty Corporation.

Kim Elliott, Assistant Vice President and Branch Manager, has been with the bank for 17 years and has been a Branch Manager since 2001. She has been the Manager of Main Office Branch since February 2008. Ms. Elliott has been an officer of the bank since 2007.

Kim and her friendly and knowledgeable staff take pride in serving the downtown market, greeting each and every customer, and potential customers, with a smile and a friendly hello and assisting them with their banking needs. Some enter the branch as first time customers, and others as friends, but when they leave they will always feel they are number one here at Elmira Savings Bank.

ESB Advisory Services is also located within the Bank's Main Branch, staffed by Financial Services Representative, Andrea Devon. The Bank's Executive Offices are also located within the building.

PHOTO: Front row: Laura Ingle, Teller; Kelly Ewanyk, Customer Service Representative; Desirea Sullivan, Teller. Back Row: Kim Elliott, Assistant Vice President and Branch Manager; Amy Kramer, Teller; Andrea Devon, Financial Services Representative, ESB Advisory Services.

Elmira
Savings Bank
333 East Water Street
Elmira, NY 14901

Bulk Rate
Postage
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