



March 24, 2012

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Elmira Savings Bank, which will be held at The Clemens Center, 207 Clemens Center Parkway, Elmira, NY 14901, at 10:00 a.m. on Tuesday, April 24, 2012.

The agenda for the business meeting consists of three items: The election of seven directors, the ratification of the selection of independent auditors for the 2012 fiscal year, and a non-binding shareholder vote on executive compensation disclosed in the Proxy Statement. The meeting will also include highlights of the year 2011.

On behalf of the Board of Directors, **we urge you to sign, date, and return the enclosed proxy card** even if you plan to attend the Annual Meeting. This will not prevent you from attending the meeting and voting in person, but will ensure that your vote is counted.

The Bank's Annual Report to Shareholders, along with the Bank's Annual Report filed on Form 10-K for the year ended December 31, 2011, is included in this mailing.

Your directors and management look forward to seeing you at the meeting April twenty-fourth.

If you have any questions, please call Thomas M. Carr, Shareholder Relations, at (607) 735-8660.

Sincerely,

ELMIRA SAVINGS BANK

Michael P. Hosey
President and Chief Executive Officer

Encls.

ELMIRA SAVINGS BANK

333 East Water Street
Elmira, NY 14901
(607) 734-3374

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be held April 24, 2012

To our Shareholders:

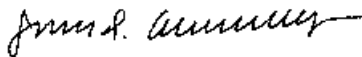
Notice is hereby given that the Annual Meeting of Shareholders of Elmira Savings Bank (the "Bank") will be held at The Clemens Center, located at 207 Clemens Center Parkway, Elmira, New York 14901, at 10:00 a.m. local time, on Tuesday, April 24, 2012 for the following purposes:

1. To elect seven (7) directors to the Board of the Bank. The Board of Directors is divided into three classes of directors serving staggered terms. Seven directors will be elected to serve a three-year term.
2. To consider and act upon the proposal to ratify the appointment of S. R. Snodgrass, A.C. as independent auditors for the Bank for the 2012 fiscal year.
3. To approve (in a non-binding, advisory vote) the executive compensation disclosed in the Proxy Statement.
4. To transact such other business as may properly be brought before the meeting or any adjournment thereof.

Holders of Common Stock of record at the close of business on March 9, 2012 will be entitled to notice of and to vote at the meeting.

If there are insufficient votes to approve any of the above proposals at the time of the Annual Meeting, The Annual Meeting may be adjourned in order to permit the Bank to solicit additional proxies.

By order of the Board of Directors,



John R. Alexander
Secretary

Elmira, New York
March 24, 2012

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. PLEASE SIGN, DATE AND COMPLETE THE ENCLOSED PROXY AND RETURN IT IN THE ENCLOSED POSTAGE PAID ENVELOPE AS SOON AS POSSIBLE WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING. THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ADOPTION OF EACH OF THE PROPOSALS.

ELMIRA SAVINGS BANK
333 East Water Street
Elmira, New York 14901

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Elmira Savings Bank (the “Bank”) for use at the annual meeting of its shareholders (“Annual Meeting”) to be held on Tuesday, April 24, 2012 at 10:00 a.m. at The Clemens Center located at 207 Clemens Center Parkway, Elmira, New York 14901, and at any adjournment thereof. This proxy statement, together with the enclosed proxy card, is being mailed to shareholders on or about March 24, 2012. The Bank’s 2011 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 and 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 the directors nominated by the Board and “FOR” the appointment of S. R. Snodgrass, A.C. as the Bank’s independent auditor for 2012.**

The Bank will bear the costs of the Board’s solicitation of proxies. Following the mailing of proxy soliciting materials, officers and other personnel of the Bank may solicit proxies by mail, telephone, fax, e-mail, and personal interview. The Bank has retained Regan & Associates, Inc., a professional proxy solicitation firm, to assist in the solicitation. Regan & Associates, Inc. will receive a fee of \$4,750 for its services, plus reimbursement of its reasonable out-of-pocket expenses. The Bank requests that record holders of shares beneficially owned by others forward this proxy statement and other proxy soliciting materials to the beneficial owners of such shares and agrees to reimburse such record holders for the reasonable expenses they incur in doing so.

Voting Securities

As of March 1, 2012, the Bank had issued and outstanding 2,166,791 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 the Bank’s independent auditor for 2012 will 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 9, 2012 as the record date for determination of shareholders entitled to notice of, and to vote at, the Annual Meeting.

Security Ownership of Certain Beneficial Owners

The following table summarizes certain information regarding persons whose beneficial ownership of any class of the Bank’s voting stock is in excess of 5%, based on reports filed with the Federal Deposit Insurance Corporation.

Title of class	Name and address of beneficial owner	Amount and nature of beneficial ownership	Percent of class
Common Stock	Michael P. Hosey 333 East Water Street Elmira, New York 14901	201,302 ¹	9.02%

Common Stock	Valicenti Advisory Services, Inc. 400 East Water Street Elmira, New York 14901	179,414 ²	8.28%
Common Stock	George L. Howell 333 East Water Street Elmira, New York 14901	131,564 ³	6.05%
Common Stock	Thomas M. Carr 333 East Water Street Elmira, New York 14901	128,355 ⁴	5.81%

¹ Of the total reported, 65,658 shares are deemed beneficially owned by Mr. Hosey on account of his ability to acquire them via the exercise of vested stock options. For purposes of calculating the percentage of outstanding shares owned by Mr. Hosey, the total number of shares of common stock outstanding has been increased by the number of shares that may be so acquired.

² Based on a Form 13F filed by Valicenti Advisory Services, Inc. with the Securities and Exchange Commission for the period ending on December 31, 2011.

³ Of the total reported, 7,822 shares are deemed beneficially owned by Mr. Howell on account of his ability to acquire them via the exercise of vested stock options. For purposes of calculating the percentage of outstanding shares owned by Mr. Howell, the total number of shares of common stock outstanding has been increased by the number of shares that may be so acquired.

⁴ Of the total reported, 43,889 represent shares deemed beneficially owned by Mr. Carr on account of his ability to acquire them via the exercise of vested stock options. For purposes of calculating the percentage of outstanding shares owned by Mr. Carr, the total number of shares of common stock outstanding has been increased by the number of shares that may be so acquired.

Security Ownership of Directors and Named Executive Officers

The following table details certain information concerning the beneficial ownership of the Bank's voting securities by its principal executive officer and its two most highly compensated executive officers other than its principal executive officer in 2011 (collectively "named executive officers") and by its directors. Generally, a share is deemed beneficially owned by a person if that person has sole or shared power to vote or dispose of such share. Shares, the beneficial ownership of which may be acquired within sixty days via the exercise of a vested stock option, are deemed beneficially owned by the owner of the stock option. Shares of restricted stock are deemed beneficially owned by the holder of such shares, irrespective of whether such shares are vested.

Name of beneficial owner	Position(s) held in the Bank	Shares owned directly or indirectly ¹	Shares acquirable via exercise of options	Number of shares beneficially owned	Percent of class ²
Nominees					
John Brand III	Director, Vice Chairman	21,296	11,548	32,844	1.51%
Thomas M. Carr	Director, Executive Vice President, & COO	84,466	43,889	128,355	5.81%
Donald G. Quick, Jr.	Director	3,865	0	3,865	*
Katherine H. Roehlke	Director	14,482	0	14,482	*
Arie J. van den Blink	Director	100	0	100	*
A. Scott Welliver	Director	37,152	12,790	49,942	2.29%
Marianne W. Young	Director	10,671	0	10,671	*

Continuing Directors					
John R. Alexander	Director, Secretary	61,090	12,790	73,880	3.39%
Anthony J. Cooper	Director	16,590	12,790	29,380	1.35%
Michael P. Hosey	Director, President, & CEO	135,644	65,658	201,302	9.02%
Kristin A. Swain	Director	7,068	11,548	18,616	*
George L. Howell	Director, Chairman	123,742	7,822	131,564	6.05 %
Executive Officers who are not Directors					
Kevin J. Berkley	Senior Vice President	17,545	9,582	27,127	1.25%

* Indicates percentage ownership of less than 1%.

¹ Amounts reported in this column include shares held by named executive officers in the Bank's Employee Stock Ownership and Savings Plan as of February 21, 2012.

² Percentage ownership of each director and named executive officer is calculated for each person as if those shares which could be acquired via the exercise of stock options were issued and outstanding, meaning that such percentages do not reflect a percentage of the shares of the Bank's common stock actually issued and outstanding.

All directors and named executive officers, as a group, beneficially own 722,128 shares or 30.66% of the Bank's common stock. This includes an aggregate of 29,666 shares allocated to the account of the named executive officers participating in the employee stock ownership plan ("ESOP") component of Bank's Employee Stock Ownership and Savings Plan, a tax-qualified retirement plan sponsored for the benefit of the Bank's employees ("Plan"), and 43,058 shares allocated to the accounts of named executive officers who are participating the 401(k) plan component of such plan.

The ESOP component of the Plan holds an aggregate of 162,096 shares of the Bank's common stock, representing approximately 7.48% of the outstanding shares. The 401(k) portion of the Plan holds an aggregate of 57,609 shares of the Bank's common stock, representing approximately 2.65% of the outstanding shares. Under the terms of the Plan, shares of common stock allocated to the accounts of employees are voted in accordance with instructions given by such employees to the trustees. Unallocated shares are voted by the trustees in the same proportion as allocated shares are voted per participant instructions. Mr. Carr is one of three trustees of the Plan trust, but has disclaimed beneficial ownership of the 100 shares of common stock held in the Plan's suspense account (less than 0.01% of the total shares outstanding). Share ownership totals for Mr. Carr in the above table do not reflect beneficial ownership of these shares.

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 in displacement of the former members of the Bank who previously held such voting rights when it was a mutual savings bank.

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. Section 957 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 amended section 6(b) of the

Securities Exchange Act of 1934 to make adoption of similar rules a precondition for registration as a national securities exchange, in response to which, the NASDAQ Stock Market adopted amendments to Rule 2251 prohibiting members of NASDAQ that are not the beneficial owners of a security registered under Section 12 of the Exchange Act from granting a proxy to vote the security with respect to the election of directors of an issuer, executive compensation, or “any other significant matter” as determined by the SEC, without voting instructions from the beneficial owner of such security.

“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, Executive Vice President & COO, a copy of the Bank’s annual report on Form 10-K for the Bank’s 2011 fiscal year, including the financial statements and financial statement schedules required to be filed with the Federal Reserve Board pursuant to Rule 13a-1 under the Securities Exchange Act of 1934 and relevant Federal Reserve Board regulations. Written requests for copies of the annual report and accompanying financial statements should be directed to Mr. Carr at 333 East Water Street, Elmira, New York 14901.

ELECTION OF DIRECTORS (Proposal One)

The Bank’s Board of Directors currently consists of twelve 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. Seven directors are to be elected at the Annual Meeting, which directors shall, upon their election or reelection, be appointed to such classes and shall have such terms of office as are set forth below in the section entitled “Nominees for Election to the Board”.

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. There are no arrangements or understandings pursuant to which any director or named executive officer was selected. Mr. Howell is the father of Ms. Roehlke, but there are no other family relationships between any directors or executive officers of the Bank.

NOMINEES FOR ELECTION TO THE BOARD

John “Skip” Brand, III **Chairman, Arnot Realty Corporation**

Standing for election to Class III for a term expiring in 2015

Mr. Brand serves as Chairman of the Board of Arnot Realty Corporation, one of the largest real estate developers in New York’s Southern Tier Region. He currently serves as Vice Chairman of the Board and has been a member of the Bank’s board of directors for 24 years. He is 65 years old.

Mr. Brand’s long tenure on the Board and his extensive business experience provide the Board with valuable insight into complex, business, operational, and financial issues.

Thomas M. Carr

Executive Vice President & COO, Elmira Savings Bank

Standing for election to Class II for a term expiring in 2014

Mr. Carr has served as Executive Vice President of the Bank since 2004 and as the Bank's Chief Operating Officer since 2008. From June 24, 2000 through April 1, 2009, he served as Chief Financial Officer. Mr. Carr received his undergraduate degree in Business Administration from Slippery Rock University of Pennsylvania, his Master's in Business Administration from LeMoyne College, and attended the Dartmouth Executive Education Program at the Tuck School of Business. Mr. Carr is a member of a number of local boards of directors and trustees including Notre Dame High School, Chemung County Historical Society, Elmira Country Club, Elmira City Club, The Three Rivers Development Corporation, and ELMCO, LLC. He was appointed to serve on the Bank's board of directors at a meeting of the Board held on January 17, 2012. He is 42 years old.

Mr. Carr has twenty-two years of community banking experience, twelve of which have been at an executive officer level. His extensive banking experience and his long tenure at Elmira Savings Bank give him a unique and detailed knowledge of the Bank and its operations.

Donald G. Quick, Jr.

Consultant, Mengel Metzger Barr & Company LLP

Standing for election to Class III for a term expiring in 2015

Mr. Quick is a certified public accountant who has practiced accounting as a lead partner in the Elmira, New York office of Mengel Metzger Barr & Company LLP. Mr. Quick serves as a member of a number of boards of directors and trustees, including those of Southern Tier Economic Growth, Inc., Five Rivers Council, Inc. - Boy Scouts of America, Chemung County Industrial Development Agency, Historic Elmira, Inc., Chemung County Historical Society, Bethany Village, and Arnot Health, Inc. He was appointed to serve on the Bank's board of directors effective October 1, 2011 at a meeting of the Board held on September 27, 2011. He is a graduate of the Rochester Institute of Technology and is 65 years old.

Mr. Quick has over forty years of experience in the accounting profession who has provided assurance, tax, and consulting services to many closely held companies in a wide variety of industries. Mr. Quick is a financial expert who provides a wealth of knowledge in financial management, accounting, and risk analysis.

Katherine H. Roehlke

President & CEO, F.M. Howell & Company

Standing for election to Class I, for a term expiring in 2013

Ms. Roehlke serves as President and Chief Executive Officer of F.M. Howell & Company located in Elmira, New York. Ms. Roehlke is a graduate of Bucknell University and attended Harvard University's Executive Development Program. She has served on the board of Arnot Ogden Medical Center and has been involved with Young Presidents International. Ms. Roehlke was appointed to serve on the Bank's board of directors at a meeting of the Board held on January 17, 2012. She is 52 years old.

Ms. Roehlke has 30 years of business experience. The board of directors will benefit from Ms. Roehlke's significant management and sales expertise inside and outside of the Bank's market area.

Arie J. van den Blink

Chairman & CEO, The Hilliard Corporation

Standing for election to Class II, for a term expiring in 2014

Since January 1, 2011, Mr. van den Blink has served as Chairman & CEO of The Hilliard Corporation located in Elmira, New York, a company with which he has been employed since 1988. Mr. van den Blink serves on the boards of a number of organizations, including Southern Tier Economic Growth, Corning Community College Development Foundation, Inc., The Clemens Center, The National Soaring Museum, The Hilliard Foundation, and ELMCO, LLC. He also serves as a member of the Elmira College President's Council. He has previously served as a director or trustee of Chemung County Historical Society, Elmira Torch Club, Elmira Downtown Development, and Glove House, Inc. He is a graduate of Rutgers Law

School. Mr. van den Blink was appointed to serve on the Bank's board of directors at a meeting of the Board held on January 17, 2012. He is 53 years old.

Mr. van den Blink's wide variety of leadership positions and his depth of knowledge about the dynamics of various businesses and organizations provide the Board with critical financial, strategic, and operational expertise.

A. Scott Welliver

Chairman & CEO, Welliver McGuire, Inc.

Standing for election to Class III, for a term expiring in 2015

Mr. Welliver is Chairman and Chief Executive Officer of Welliver McGuire, Inc. a full-service construction firm located in Montour Falls, New York. Mr. Welliver serves on the board of trustees of Elmira College and is a director of Five Rivers Council, Inc. – Boy Scouts of America. He has previously served as a member of the board of directors of St. Joseph's Hospital in Elmira, New York. Mr. Welliver is also a principal in Glenora Wine Cellars, Inc., a winery located in the Finger Lakes region of New York. He has been a member of the Bank's board of directors for 16 years and is 62 years old.

Mr. Welliver's long service leading successful businesses and other organizations give him valuable insight into financial management, strategic planning, business development, and risk management, which insight is of great value to the Board.

Marianne W. Young

President and Director, Market Street Trust Company

Standing for election to Class II, for a term expiring in 2014

Ms. Young is the President and has been a member of the board of directors of Market Street Trust Company, a New York State chartered limited purpose trust company, since 1999. Prior to serving as President, Ms. Young served as Vice President for Client Services from 1995 through June 1999. Before joining Market Street Trust Company, Ms. Young practiced law at Harris Beach & Wilcox (now Harris Beach, PLLC), a law firm headquartered in upstate New York, where she focused on corporate and banking law. She is a director and corporate secretary of the Alternative School for Math and Science in Corning, New York, and is a member of the board of the Finger Lakes Land Trust. Her prior board service includes serving as president and trustee of the Rockwell Museum of Western Art in Corning, New York and as director of the Corning Community College Development Foundation, Inc., the Tompkins Cortland Community College Foundation, and Reconstruction Home, Inc. She is a graduate of Mt. Holyoke College and Cornell Law School. Ms. Young was appointed to serve on the Bank's board of directors at a meeting of the Board held on January 17, 2012. She is 49 years old.

Ms. Young's legal background and experience in the banking industry provide the Board with valuable understanding of and expertise in risk management, compliance, and operations relevant to the Bank's business.

Proxies delivered in response to this proxy statement may not be voted for more than seven (7) directors – the number of candidates nominated above.

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

DIRECTORS CONTINUING IN OFFICE

John R. Alexander

Partner, Sayles & Evans

Class I; Term expiring in 2013

Mr. Alexander is a partner in the law firm of Sayles & Evans, located in Elmira, New York. He serves as a member of the board of directors of The Hilliard Corporation, Arnot Realty Corporation, F.M. Howell & Company, Carbonic Systems, Inc., and Electri-Cord Manufacturing Company. He currently serves as

Secretary of the Bank and has been a member of the Bank's board of directors for 27 years. He is 65 years old.

Mr. Alexander has been providing legal representation and advice to a wide variety of businesses, including financial institutions of various types and sizes for over 40 years. He has, through his practice, acquired extensive knowledge of and experience with executive compensation structures, including those utilized by the Bank, banking law compliance, and risk management. His professional experience and long connection to the Bank give him considerable perspective in dealing with complex legal, regulatory, and risk management issues affecting the Bank.

Anthony J. Cooper
President & CEO, Arnot Health

Class I; Term expiring in 2013

Mr. Cooper is President and Chief Executive Officer of Arnot Health, Inc., a three hospital health care system consisting of Arnot Ogden Medical Center and St. Joseph's Hospital in Elmira, New York and Ira Davenport Memorial Hospital in Bath, New York. Mr. Cooper previously served as a chairman of the Rochester Regional Hospital Association. Mr. Cooper holds a master's degree in business administration from Cornell University. He has served as a member of the Bank's board of directors for 20 years and is 65 years old.

Mr. Cooper brings to the Board a deep understanding of strategic planning, compliance, and financial and operational management from his many years providing executive management at hospitals, health care facilities, and health-related organizations.

Michael P. Hosey
President & CEO, Elmira Savings Bank

Class I; Term expiring in 2013

Mr. Hosey has served as President and Chief Executive Officer of Elmira Savings Bank since January 2003. He originally joined the Bank in 1984 and, from 1995 through 2002, served as the Bank's Executive Vice President and Chief Operating Officer. Mr. Hosey serves on the boards of Arnot Ogden Medical Center, Arnot Ogden Medical Center Foundation, and Southern Tier Economic Growth. He holds a master's degree in business administration from Scranton University. Mr. Hosey has served on the Bank's board of directors for 11 years and is 54 years old.

Since joining the Bank in 1984, Mr. Hosey has held a wide range of management positions across its financial, operational, and business development functions. The variety and scope of his responsibilities over his years with the Bank have given him a very deep and broad knowledge of the Bank and a unique understanding of its business.

George L. Howell
Chairman, F.M. Howell & Company

Class II; Term expiring in 2012

Mr. Howell serves as Chairman of the Board of F.M. Howell & Company in Elmira, New York. He serves as a director of The Hilliard Corporation, as a trustee of Elmira College, and as a trustee of Historic Elmira, Inc. He has served on the boards of The Chemung County Historical Society, Inc., Arnot Art Museum, and The Clemens Center and is a graduate of Lehigh University. Mr. Howell has served as a member of the Bank's board of directors for 20 years and currently is the Chairman of the Board. He is 78 years old.

Kristin A. Swain
President, Corning Incorporated Foundation; Executive Director, Rockwell Museum of Western Art

Class III; Term expiring in 2014

Ms. Swain serves as the President of the Corning Incorporated Foundation and as Executive Director of the Rockwell Museum of Western Art, both located in Corning, New York. She is a graduate of Sweet

Briar College. She has served as a member of the Bank's board of directors for 19 years and is 59 years old.

Ms. Swain brings to the Board significant expertise in executive and financial management garnered from her experience in leadership roles at the Corning Incorporated Foundation and the Rockwell Museum of Western Art and from her long service on the Board.

2012 RETIREMENT OF CHAIRMAN HOWELL

Chairman of the Board, George L. Howell, shall retire from the Board of Directors immediately following the 2012 annual meeting of the Bank's shareholders on account of reaching the applicable mandatory retirement age set forth in the Bank's bylaws. The Board has selected Vice Chairman Brand to become Chairman of the Board upon his reelection and has selected Mr. Hosey to replace Mr. Brand as Vice Chairman.

The number of members of the Board was expanded to twelve in connection with the Bank's conversion to a state-chartered savings bank in order to accommodate the appointments of Mr. Carr, Ms. Roehlke, Mr. van den Blink, and Ms. Young to the Board prior to the retirement of Mr. Howell. The Board has not nominated a candidate to fill the seat to be vacated by Mr. Howell upon his retirement, as it intends to reduce the size of the Board to eleven after the Annual Meeting.

CORPORATE GOVERNANCE

Governance of the Bank

The Bank's business, property, and affairs were managed through December 31, 2011 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 charter and bylaws. Effective at midnight on December 31, 2011, the Bank converted from a federal savings bank to a savings bank chartered under the Banking Law of the State of New York ("Banking law"). As a result of its conversion, the New York State Department of Financial Services acquired jurisdiction over the Bank and its affairs, and the Federal Deposit Insurance Corporation ("FDIC") replaced the Office of the Comptroller of the Currency as the Bank's principal federal regulator. On March 7, 2012, the Board of Governors of the Federal Reserve System ("Federal Reserve Board") approved the Bank's application to become a member of the Federal Reserve System, causing the Federal Reserve Board to replace the FDIC as the Bank's principal federal regulator. Although the Bank is not regulated by the Securities and Exchange Commission ("SEC"), the Federal Reserve Board adopts in large measure the rules and regulations of the SEC promulgated under the Securities and Exchange Act of 1934, 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 furnished by the Bank and its officers, and by participation in meetings of the Board and its committees. All of the members of the Board except for Mr. Hosey, Mr. Carr, and Mr. Alexander are "independent directors" within the meaning of Rule 5605 of the NASDAQ Stock Market.

The Board has adopted a Corporate Governance Committee charter and 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

The Bank's Board of Directors consists of twelve members 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.

Upon his reelection to the Board, Mr. Brand will become Chairman of the Board. The Chairman organizes Board activities to enable the Board to provide effective guidance to and oversight of the Bank's management. In order to accomplish this, the Chairman, among other things: creates and maintains effective working relationships with the Bank's President and Chief Executive Officer and other members of the Bank's management team and with the other members of the Board; provides the Bank's President and Chief Executive Officer with ongoing direction as to Board needs, interests, and opinions; and assures that the Board agenda is appropriately focused on matters of greatest import to the Bank. In carrying out his responsibilities, the Chairman preserves the distinction between management and oversight.

Though not formally required by any Board policy, the Board believes that the service of an independent director, such as Mr. Brand, as Chairman of the Board is appropriate at this time given the current functioning of the Board and mix of Board members.

In 2011, the Board of Directors held twelve meetings of the full Board. All Board members attended at least 75% of all Board meetings and 75% of the meetings of the committees on which they served.

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 Brand, Alexander, Cooper, Welliver, and Howell are current members of the Executive Committee. The committee held no meetings in 2011.

Loan Committee

The Loan Committee 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 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. Those officers who are not also members of the Board serve on this committee only in a non-voting capacity. The committee held twelve meetings in 2011.

Corporate Governance Committee

Not less than three independent directors, including the Chairman of the Board, the Vice Chairman, and the chair of the Audit Committee comprise the Corporate Governance Committee. The Committee acts as the Board's nominating committee, selecting nominees for appointment and 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 two meetings in 2011. Directors Brand, Howell, and Welliver 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 the compensation of executive officers, and to administer the Bank's equity compensation 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 material compensation arrangements. 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 the Bank's ability to develop and retain the superior executive and leadership talent required to effectively implement our short and long-term business strategies. The Compensation Committee was also responsible for performing the Bank's responsibilities, while it was a participant in the U.S. Treasury Department's Capital Purchase Program, 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 its charter, a copy of which charter is attached hereto as Appendix A, 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 2011 was at any time 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 2011.

The Bank's executive officers play no role in determining the form or amount of compensation paid to the Bank's directors and only a limited role in determining the form and amount of executive compensation. Mr. Hosey compiles and supplies to the Compensation Committee executive compensation profiles and comparables for all senior officers, including himself and all other named executive officers, which information is used by the Compensation Committee in evaluating the nature and extent of compensation paid to the Bank's executive officers. Mr. Hosey further makes compensation recommendations to the Compensation Committee for all of the Bank's executive officers except for himself. Mr. Hosey does not participate in discussions, deliberations, or decisions regarding his own compensation or any action of the Compensation Committee or the Board affecting him personally. No other executive officers attend Compensation Committee meetings or participate in reviewing or recommending executive compensation.

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 Howell, Welliver, and Swain are members of the committee, all of whom are independent. The committee held three meetings in 2011.

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 reports of the Bank's 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 Howell, Quick, Brand, Swain, and Welliver, all of whom are independent within the meaning of NASDAQ Stock Market Rule 5605. Until Mr. Quick's appointment to the Board on October 1, 2011, the Audit Committee had no member who qualified as an "audit committee financial expert" within the meaning of Regulation S-K, though Mr. Cooper, who served on the Audit Committee until Mr. Quick joined the Board, was formally recognized by the Board as having sufficient financial expertise to qualify as a "financial expert" meeting the requirements of NASDAQ Stock Market Rule 5605(c)(2)(A). In addition, director emeritus Jerry Gapp, who served on the Board and as the Audit Committee's "audit committee financial expert" until his retirement in 2010, attended Audit Committee meetings held in 2011 prior to Mr. Quick's addition to the Board. The Board has determined that Mr. Quick, who is an independent director, qualifies as an "audit committee financial expert" within the meaning of Regulation S-K.

The Audit Committee held three meetings in 2011.

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 2011 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 as a whole ("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 is important for the members of the Board to have good chemistry so that the Board is capable of working smoothly and efficiently in performing its functions.

Applicable provisions of the Banking Law and the Bank's bylaws require that at least one-half of the directors be citizens of the United States, and no more than one-third of the members of the Board may be active employees of the Bank.

Identifying Director Candidates

Except where a nominee is substituted as a result of the death or incapacity of a management nominee, the Corporate Governance Committee submits nominations to the Secretary of the Bank at least twenty days prior to the date of the Annual Meeting. 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 Corporate Governance Committee or the Board determines there may be a need to add or replace a director, the Committee's 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, 2012 in order to be included in the proxy statement for the next annual meeting of the shareholders. 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's 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. All shareholder communications sent to this address are forwarded to Board members. 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 intended to be presented for consideration at the 2013 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, 2012. This date is also the deadline for submitting shareholder director nominees for inclusion in the Bank's proxy materials for the 2013 Annual Meeting. In addition, if a shareholder intends to present a proposal for action at the 2013 Annual Meeting of Shareholders, the shareholder must provide the Bank with notice thereof between December 29, 2012 and January 10, 2013.

Transactions with Related Persons, Promoters, and Control Persons

Mr. Alexander is a partner in the law firm of Sayles & Evans, which rendered services to the Bank during 2011. In 2011, the Bank paid a total of \$311,527 to Sayles & Evans in legal fees and disbursements. The fees paid to Sayles & Evans were reviewed by the full Board during a session at which Mr. Alexander was not present. The Board determined, in a session not attended by Mr. Alexander, that the charges for such services were fair and reasonable to the Bank.

DIRECTOR COMPENSATION

Directors who are also employees of the Bank 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

Board members received an annual fee of \$13,000, with an additional \$550 for each Board meeting attended. The Chairman of the Board of Directors was paid \$20,000 as his base annual fee. The Audit Committee Chairperson received \$725 per meeting, and each other Audit Committee member was paid \$425 for each Audit Committee meeting attended. Chairpersons of each other committee of the Board received \$550 for each meeting of their respective committees, and each other member of such committees received \$400 per meeting.

The committee chairpersons in 2011 were as follows:

- | | |
|-----------------------------------|------------|
| • Executive Committee: | Mr. Howell |
| • Corporate Governance Committee: | Mr. Howell |
| • Compensation Committee: | Ms. Swain |
| • Audit Committee: | Mr. Brand |
| • Loan Committee: | Mr. Howell |

Equity Compensation

On May 5, 2011, each director was granted 1,366 options to purchase shares of the Bank's common stock at an exercise price of \$15.23 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 5, 2011 and ending May 5, 2021. Each director was also awarded 633 shares of restricted stock under the Bank's 2010 Non-Employee Directors' Equity Compensation Plan, which shares shall vest in equal installments over the three years following the grant of such shares.

Total Compensation

Total compensation paid to all non-employee directors in 2011 was \$260,513.

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, 2011. Except as set forth in the table, directors did not earn or receive compensation in any form during such year.

DIRECTOR COMPENSATION TABLE

Director Compensation for the Year Ended December 31, 2011

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	\$24,400	\$9,631	\$4,641	\$0	\$0	\$0	\$38,673
John "Skip" Brand III	\$25,000	\$9,631	\$4,641	\$0	\$0	\$0	\$39,273
Anthony J. Cooper	\$24,525	\$9,631	\$4,641	\$0	\$0	\$0	\$38,798
George L. Howell	\$39,475	\$9,631	\$4,641	\$0	\$0	\$0	\$53,748
Donald G. Quick	\$6,125	\$0	\$0	\$0	\$0	\$0	\$6,125
Kristin A. Swain	\$28,375	\$9,631	\$4,641	\$0	\$0	\$0	\$42,648
A. Scott Welliver	\$26,975	\$9,631	\$4,641	\$0	\$0	\$0	\$41,248

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, 2011:

Name	Number of Options Outstanding and Exercisable	Number of Stock Awards Outstanding	Number of Stock Awards Vested
John R. Alexander	12,790	4,016	2,044
John "Skip" Brand III	11,548	4,016	2,044
Anthony J. Cooper	12,790	4,016	2,044
George L. Howell	7,822	4,016	2,044
Kristin A. Swain	11,548	4,016	2,044
A. Scott Welliver	12,790	4,016	2,044

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth the total compensation awarded to, earned by, or paid in 2011 and 2010 to Mr. Hosey, the Bank's principal executive officer and to Mr. Carr and Kevin J. Berkley, who, after Mr. Hosey, were the Bank's two most highly compensated executive officers in 2011:

Summary Compensation for the Year Ended December 31, 2011

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Non-equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Michael P. Hosey President & CEO	2011	\$ 295,719	\$ -	\$ 15,348	\$ 54,240	\$ -	\$ 4,779	\$ 33,596	\$ 403,682
	2010	\$ 271,688	\$ -	\$ 40,626	\$ 127,678	\$ -	\$ 1,731	\$ 33,252	\$ 474,975
Thomas M. Carr EVP & COO	2011	\$ 175,448	\$ -	\$ 62,299	\$ -	\$ 18,273	\$ 1,670	\$ 20,239	\$ 277,929
	2010	\$ 161,000	\$ -	\$ 53,359	\$ -	\$ 17,639	\$ 11,066	\$ 21,948	\$ 265,012
Kevin J. Berkley SVP & MLO	2011	\$ 127,212	\$ -	\$ 32,343	\$ -	\$ 13,396	\$ -	\$ 14,012	\$ 186,963
	2010	\$ 119,754	\$ -	\$ 21,640	\$ -	\$ 12,390	\$ -	\$ 12,865	\$ 166,649

- (1) Amounts reported in the column entitled "Stock Awards" 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 Bank's audited 2011 financial statements included in its annual report on Form 10-K.
- (2) Amounts reported in the column entitled "Non-equity Incentive Plan Compensation" 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 the Bank's audited 2011 financial statements included in its 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 2011, the Compensation Committee targeted the mid-range of the base salaries paid to chief executive officers, chief operating officers, and senior mortgage loan officers at peer institutions as determined in the course of its review of the compensation of the Bank's executive officers.

Non-Equity Incentive Plan Compensation

Mr. Carr and Mr. Berkley each were eligible for an annual bonus under the Bank's Bank-Wide Incentive Plan and the Management Committee Incentive Plan. The Bank-Wide Incentive Plan is an incentive plan in which management and non-management employees participate, based on targets set for fiscal year 2010. The Management Committee Incentive Plan is a plan sponsored by the Bank for selected management-level employees pursuant to which participants become eligible for incentive compensation based on certain return on equity, return on assets, and efficiency targets established by the Board. Under these plans, Mr. Carr and Mr. Berkley each were eligible to receive in total, eleven percent of their eligible earnings. Mr. Carr received \$18,273 and Mr. Berkley received \$13,396 in fiscal year 2011.

Equity Compensation

On May 9, 2011, 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 7,816 shares of common stock, and Mr. Berkley received a grant of options to purchase 4,450 shares. All options awarded had a grant date exercise price of \$15.25 per share and are subject to a three-year vesting period.

On May 18, 2011, Mr. Hosey was awarded 3,441 shares of restricted stock under the 2009 Incentive Compensation Plan. These shares shall vest at the end of three years.

Nonqualified Deferred Compensation

Mr. Hosey and Mr. Carr participate in the Bank's 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, direct the Bank to 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

Mr. Hosey and Mr. Carr were each provided with use of a Bank-owned car. The Bank paid for membership of all three named executive officers in 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, 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 6% 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 2011 were as follows: Mr. Hosey received \$22,950, Mr. Carr received \$17,562, and Mr. Berkley received \$10,645.

Change in Control Agreements

Mr. Hosey has a Change of Control Agreement with the Bank (which agreement 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 Securities Exchange Act of 1934.

If during the term of his change of control agreement and following the occurrence of a specified change of control event, Mr. Hosey's employment with the Bank is terminated by the Bank other than for cause (as defined in the agreement) 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 and ninety-nine hundredths (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.

Four other officers of the Bank, including Mr. Carr and Mr. Berkley, have change of control agreements similar to that of Mr. Hosey, except that (a) the severance payments under such plans is in an amount equal to one and ninety-nine hundredths (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.

Certain Transactions Between Management and the Bank

The Bank, like many financial institutions, offers mortgage and consumer loans to its directors, officers, and employees. A loan may be made by the Bank to a director or executive officer or a business affiliate or family member of a director or executive officer only if the loan (a) is made in the ordinary course of business of the Bank, is of a type that is generally made available to other customers, and is on terms that are no more favorable than those offered to other customers; and (b) complies with applicable law, including Regulation O of the Board of Governors of the Federal Reserve System and relevant requirements under the Banking Law. In 2011, 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 not related to the Bank, and did not involve more than the normal risk of collectability or present other unfavorable factors.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Outstanding Stock Option Awards at December 31, 2011

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
Michael P. Hosey	2/1/04	4,985	-	\$17.89	2/1/14	-	\$ -
	3/1/05	15,550	-	\$19.52	3/1/15	-	\$ -
	3/1/06	12,798	-	\$18.29	3/1/16	-	\$ -
	5/1/07	3,131	-	\$22.09	5/1/17	-	\$ -
	5/1/08	4,993	-	\$13.52	5/1/18	-	\$ -
	5/27/08	24,201	-	\$13.22	5/27/18	-	\$ -
	8/1/09	-	-			6,402	\$ 115,351
	5/1/10	-	-			8,025	\$ 144,594
	1/31/11	-	-			3,128	\$ 56,360
		65,658	-			17,555	\$ 316,306
Thomas M. Carr	2/1/04	2,088	-	\$17.89	2/1/14	-	\$ -
	3/1/05	6,653	-	\$19.52	3/1/15	-	\$ -
	3/1/06	5,907	-	\$18.29	3/1/16	-	\$ -
	5/1/07	1,717	-	\$22.09	5/1/17	-	\$ -
	5/1/08	2,775	-	\$13.52	5/1/18	-	\$ -
	5/27/08	12,101	-	\$13.22	5/27/18	-	\$ -
	5/18/09	9,812	9,812	\$10.90	5/18/19	-	\$ -
	3/1/10	2,836	8,510	\$14.19	3/1/20	-	\$ -
	5/9/11	-	7,816	\$15.25	5/9/21	-	\$ -
		43,889	26,138			-	\$ -
Kevin J. Berkley	5/1/08	2,330	-	\$13.52	5/1/18	-	\$ -
	5/18/09	5,662	5,660	\$10.90	5/18/19	-	\$ -
	3/1/10	1,590	4,768	\$14.19	3/1/20	-	\$ -
	5/9/11	-	4,450	\$15.25	5/9/21	-	\$ -
		9,582	14,878			-	\$ -

- (1) Equity awards granted in 2011 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 is subject are described above in the narrative disclosure following the Summary Compensation Table. For the reasons set forth in the section entitled "Termination of Capital Purchase Program Participation," None of the shares of restricted stock awarded to Mr. Hosey vested prior to August 25, 2011. All shares of restricted stock, even those unvested, have been included in his total shareholdings reported in the section entitled "Election of Directors."

TERMINATION OF CAPITAL PURCHASE PROGRAM PARTICIPATION

On August 25, 2011, the Bank terminated its participation in the United States Department of the Treasury's ("Treasury Department") Capital Purchase Program created under the Emergency Economic Stabilization Act of 2008 ("EESA"), by redeeming all of the outstanding shares of its preferred stock issued to the Treasury Department as part of its participation in such program.

While participating in the Capital Purchase Program, the Bank was subject to certain requirements under the EESA and the American Reinvestment and Recovery Act of 2009 (“ARRA”) and Treasury Department issued under both acts pertaining to the compensation paid by the Bank to its “senior executive officers” (for fiscal year 2011, Messrs. Hosey, Carr, Berkley, Jason Sanford (Senior Vice President and CFO), and Gary Short (Senior Vice President and Consumer Loan Manager)). These requirements, described briefly in this section, applied until the date of the repurchase by the Bank of the preferred stock issued in connection with its participation in the Capital Purchase Program. When deciding whether to participate in the Capital Purchase Program, the Board weighed such of these requirements as had then been established at the inception of the Bank’s participation in the program 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, the Bank was required to recover any bonus or incentive compensation paid to any senior executive officer and any of the Bank’s next 20 most highly-compensated employees if such bonus or incentive compensation was based on statements of earnings, revenues, gains, or other criteria that were later determined to be materially inaccurate.

Restriction on Incentive Compensation Paid to Highest-Paid Employee

The ARRA prohibited the payment of any bonus or incentive compensation to Mr. Hosey, the Bank’s highest-paid employee, other than in the form of restricted stock which had a value not in excess of one-third of the total amount of annual compensation paid to such employee and which could not vest before the Treasury Department ceased to hold any of the preferred stock issued by the Bank under the Capital Purchase Program. This limitation did not apply to bonus or incentive compensation required to be paid pursuant to any written employment contract executed on or before February 11, 2009.

Prohibition on Golden Parachute Payments

The Bank was 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. This restriction applied to any compensation the payment of which was 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 applied in addition to the rules set forth in Section 280G of the Internal Revenue Code that deny employers deductions for excess parachute payments and impose a 20% excise tax on individuals 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. The Bank has not paid any “golden parachute payment” to any person in contravention of this prohibition or otherwise. These agreements terminated upon the Bank’s exit from the Capital Purchase Program.

Luxury Expenditure Policy

The ARRA required the Board to adopt a Bank-wide policy regarding items to be identified by Treasury Department regulation as “excessive or luxury expenditures,” which included “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 February 16, 2010, the Bank adopted such a policy, copies of which may be found on the Bank’s website at <http://www.elmirasavingsbank.com>.

DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT OF 2010

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”), signed into law on July 21, 2010 created several new executive compensation requirements and restrictions for issuers of securities registered under the Exchange Act. Most of such requirements and restrictions are inapplicable or of uncertain application with respect to the Bank.

Shareholder Advisory Votes on Executive Compensation

Section 951 of the Dodd-Frank Act requires proxy statements to which the proxy solicitation rules of the SEC require disclosure of executive compensation to include a resolution subject to shareholder vote to approve the disclosed compensation paid by an issuer to its executives. A separate shareholder resolution to approve “golden parachute” compensation in any solicitation with respect to a meeting of the shareholders at which the shareholders are asked to approve an acquisition, merger, consolidation, proposed sale, or disposition of all or substantially all of the assets of an issuer. Both types of resolutions are advisory only. Per relevant SEC regulations, the Bank, as a smaller reporting company, is not required to comply with either requirement until its first annual meeting held on or after January 21, 2013.

Compensation Committee Independence

Section 952 of the Dodd-Frank Act requires the SEC to direct national securities exchanges to prohibit the listing of any equity security of an issuer (subject to certain limited exceptions) that does not require all members of its compensation committee to be members of the board of directors of the issuer who are “independent” as that term is to be defined by regulation. The SEC has yet to promulgate regulations implementing this section of the Dodd-Frank Act, so the ultimate impact of this provision on the Bank is uncertain. Currently, the Bank maintains a compensation committee composed entirely of independent directors consistent with NASDAQ Stock Market listing rules to which it is subject.

Other Requirements

A number of other sections of the Dodd-Frank Act could affect the Bank’s compensation policies and procedures. However, the scope of application and meaning of such sections remains undetermined pending regulatory action by the SEC. Such sections include section 953 (pay versus performance disclosure), section 954 (clawback of incentive compensation), and section 955 (hedging by directors and employees).

INTERAGENCY GUIDANCE ON SOUND INCENTIVE COMPENSATION POLICIES

On June 21, 2010, federal banking agencies, including the Federal Reserve Board, promulgated joint guidance entitled the Interagency Guidance on Sound Incentive Compensation Policies. This guidance, intended to guide the design and oversight of incentive compensation to ensure consistency with safety and soundness principles, generally provides that incentive compensation arrangements at a banking organization should:

- provide employees incentives that appropriately balance risk and reward;
- be compatible with effective controls and risk-management; and
- be supported by strong corporate governance, including active and effective oversight by the organization’s board of directors.

While the interagency guidance is principally targeted at “large banking organizations”, it does have some application to smaller banking organizations, such as the Bank. The Board and management believe that

the Bank's incentive compensation policies and practices are designed in a manner consistent with this guidance.

RISK MANAGEMENT CHECKS AND BALANCES

The Bank's Compensation Committee believes that the design and governance of the Bank's executive compensation policies and practices is consistent with the highest standards of risk management. Such design supports the Bank's 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 the Bank.
- Use of equity-based awards aligns executive officers' interests with the interests of the Bank's stockholders, and the Bank's policy of encouraging significant stock ownership by executive officers further enhances this alignment.

Together, these features of the Bank's executive compensation policies and practices are intended to:

- Ensure that the Bank's compensation policies and practices do not encourage excessive risk taking;
- Encourage executive officers to manage the Bank in a manner focused on creating long-term, sustainable value for stockholders; and
- Provide appropriate levels of realized rewards over time to facilitate the retention of executive talent and experience.

EXECUTIVE OFFICERS

Set forth below is the name of and certain biographical information concerning each executive officer of the Bank:

Michael P. Hosey, age 54, 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.

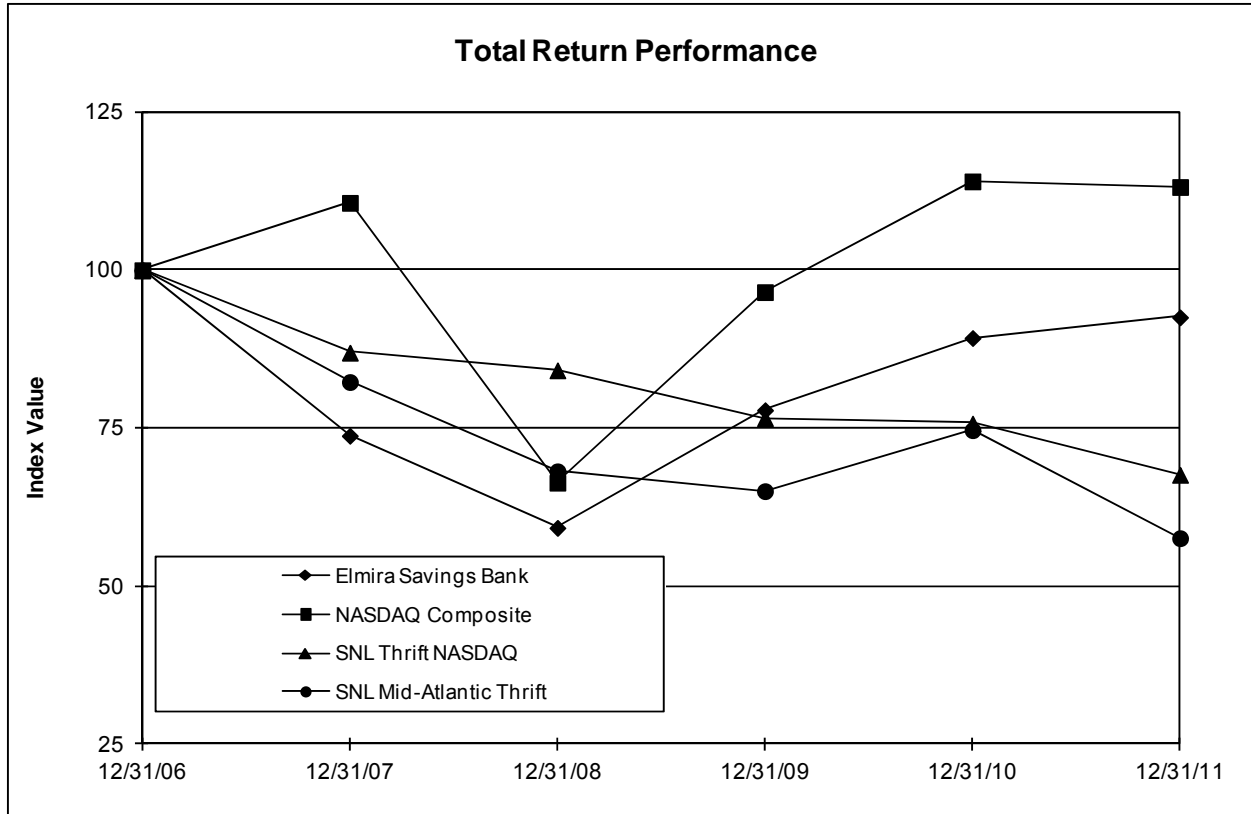
Thomas M. Carr, age 42, has served as Executive Vice President since 2004 and has served as Chief Operating Officer since January 2, 2008. From June 24, 2000 until April 1, 2009, he served as Chief Financial Officer.

Jason T. Sanford, age 38, 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 57, 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. Mr. Berkley's responsibilities with the Bank include oversight of the Bank's residential loan department.

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.



SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Federal securities law requires the Bank's executive officers and directors and persons who beneficially own more than ten percent of the Bank's issued and outstanding 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 2011, 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, except as follows:

- A Form 4 reporting a cashless stock option exercise by Mr. Alexander on April 28, 2011 was filed on September 26, 2011. The late reported transaction resulted in a net increase of only 456 shares.

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 2012 fiscal year. S.R. Snodgrass, A.C. served as the Bank's outside auditor with respect to the Bank's 2011 fiscal year and has served as the Bank's outside auditor since 2009. The firm has no significant relationship with the Bank except the existing professional relationship of independent auditor.

No report by S.R. Snodgrass, A.C. 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 S.R. Snodgrass, A.C. 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 S.R. Snodgrass, A.C. 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 2012.

The Board of Directors recommends a vote "FOR" the ratification of the appointment of S. R. Snodgrass, A.C. as the Bank's independent auditor for the 2012 fiscal year.

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 federal and state regulators

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

Federal securities law prohibits 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

The following table presents fees for professional audit services rendered by Snodgrass for the audit of the Bank's consolidated financial statements as of and for the years ended December 31, 2011 and December 31, 2010, and fees billed for other services rendered:

Audit fees, including the reviews of our interim consolidated financial statements included in our quarterly reports on Form 10-Q	<u>2011</u>	<u>2010</u>
	\$109,148	\$103,187
Audit-related fees	\$0	\$0
Tax fees	\$22,400	\$18,700
Other	\$13,531	\$0
Total Fees	\$145,079	\$121,887

Audit fees are fees for professional services rendered for the audit of the Bank's consolidated annual financial statements, review of the consolidated financial statements included in the Bank's quarterly reports on Form 10-Q, and 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 include fees for assurance and related services provided by the Bank's external auditor reasonably related to the performance of the audit or review of the Bank's financial statements, but which are not reported as audit fees.

Tax fees 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.

Other fees include fees for professional services rendered regarding strategic planning and the development of the Bank's strategic plan.

100% of all audit-related fees, tax fees, and other fees described above were approved by the Audit Committee pursuant to its audit and non-audit services pre-approval policy. Of the hours expended on S.R. Snodgrass' engagement to audit the Bank's 2011 financial statements, none are attributable to work performed by persons other than Snodgrass' full-time, permanent employees.

Audit Committee Review

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

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors of the Bank makes this report for the year ended December 31, 2011:

The Audit Committee is responsible for providing the independent, objective oversight of the Bank's accounting functions and internal controls. In 2011, the Audit Committee was composed of four to five directors, each of whom was an "independent director" as defined by the standards for listing on the NASDAQ Stock Market.

Management is responsible for the Bank's internal controls and financial reporting process. The independent accounting firm S.R. Snodgrass, A.C. is responsible for performing an external 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 monitors and oversees these processes.

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 the Bank's management team and S.R. Snodgrass, A.C. to review and discuss the December 31, 2011 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. that 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, 2011 to be filed with the Federal Reserve Board.

Submitted by the Audit Committee: John Brand III (Chairman), A. Scott Welliver, Kristin A. Swain, and Donald G. Quick, Jr.

OTHER MATTERS

The Bank is not aware that any matters, other than those mentioned above, will be presented for action at the 2012 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.

ELMIRA SAVINGS BANK
March 24, 2012