

The Advisor

February 2013

A Newsletter for Elmira Savings Bank Shareholders, Customers and Community

Vol. 3 No. 2

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Calendar of Events

April 23

10 a.m.

Annual Shareholders Meeting
Clemens Center - Elmira, NY

June 24

Beginning of Customer
Appreciation Weeks

June 30

Brand Park Elmira, NY
Summer Concert Series begins

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Elmira Savings Bank
333 East Water Street
Elmira, NY 14901
Phone: 607-734-3374
Toll free 888-372-9299
www.elmirasavingsbank.com

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Elmira Savings Bank Opens Erwin Branch

Elmira Savings Bank received regulatory approval on December 3, 2012 to open a full-service branch at 404 South Hamilton Street in Erwin, NY. The branch opened for business on January 2, 2013.

"We are pleased to open this branch in Erwin to provide added convenience for our Steuben County customers. We look forward to developing new relationships and to expanding our existing relationships in the Corning, Painted Post, Erwin market," said Thomas M. Carr, Executive Vice President and Chief Operating Officer. With this addition Elmira Savings Bank will now boast 12 full-service branches.



ELMIRA SAVINGS BANK ERWIN BRANCH

404 S. Hamilton Street
Painted Post, NY 14870
607-936-1806

Elmira Savings Bank

The Elmira Savings Bank History article normally appears on this page of the Advisor, but for this issue circumstances warranted a special insert. We hope you will find this unusual incident in our history to be of interest.

HISTORY

Front entrance of the bank after the explosion showing the damage to the roof.



Elmira Savings Bank Reports 2012 Earnings

Highlights

- Net income increased to \$1,299,000 and \$5,213,000 for the three and twelve months ended December 31, 2012 compared to \$1,291,000 and \$5,029,000 for the same periods in 2011.
- Diluted earnings per share were \$.37 per share and \$1.51 per share for the three and twelve months ended December 31, 2012 compared to \$.38 per share and \$1.41 per share for the same period in 2011.
- Return on average assets was .97% and .99% for the three and twelve months ended December 31, 2012 compared to .99% and 1.00% for the same period in 2011.
- Return on average equity was 7.72% and 7.89% for the three and twelve months ended December 31, 2012 compared to 7.94% and 8.40% for the same periods in 2011.
- Noninterest income increased to \$1,529,000 and \$6,050,000 for the three and twelve months ended December 31, 2012 compared to \$1,382,000 and \$4,727,000 for the same periods in 2011. These represent increases of 10.6% and 28.0% for the three and twelve months ended December 31, 2012 compared to the same periods in 2011.
- Loans receivable were \$378,108,000 at December 31, 2012, an increase of \$32,126,000 or 9.3% from December 31, 2011. Deposits were \$409,565,000 at December 31, 2012, an increase of \$27,836,000 or 7.3% from December 31, 2011.

"We are pleased to be able to provide this report of strong 2012 operating results. We achieved record earnings, had solid loan growth, and maintained our strong asset quality," said Michael P. Hosey, President and Chief Executive Officer. Hosey continued, "In addition, we increased our cash dividend, issued a stock dividend, and witnessed our share price increase during the year. We appreciate our loyal shareholders and are proud to provide them with these results."

Elmira Savings Bank, with \$536.9 million in total assets, is insured by the Federal Deposit Insurance Corporation (FDIC) and is a state-chartered bank with six offices in Chemung County, NY; three offices and a loan center in Tompkins County, NY; two offices in Steuben County, NY; one office in Cayuga County, NY; one office in Schuyler County; and a loan center in Cortland County, NY.

Elmira Savings Bank CONSOLIDATED BALANCE SHEET (Unaudited)

(In thousands except per share and per share data)	December 31,		
	2012	2011	% Change
ASSETS			
Cash and due from banks	\$39,641	\$47,456	-16.5%
Federal funds sold and other short-term investments	684	740	-7.6%
Total cash and cash equivalents	40,325	48,196	-16.3%
Securities available for sale, at fair value	66,875	86,536	-22.7%
Securities held to maturity - fair value \$5,853 at December 31, 2012, and \$4,923 at December 31, 2011	5,521	4,621	19.5%
Federal Reserve and Federal Home Loan Bank (FHLB) stock, at cost	9,178	5,295	73.3%
Loans held for sale	3,167	2,842	11.4%
Loans receivable	378,108	345,982	9.3%
Less: Allowance for loan losses	3,740	3,299	13.4%
Net loans	374,368	342,683	9.2%
Premises and equipment, net	7,947	5,392	47.4%
Bank-owned life insurance	11,988	10,100	18.7%
Accrued interest receivable	1,529	1,615	-5.3%
Intangible assets, net	316	444	-28.8%
Goodwill	12,320	12,320	0.0%
Other real estate owned	125	202	-38.1%
Other assets	3,277	3,112	5.3%
Total assets	\$536,936	\$523,358	2.6%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits	\$409,565	\$381,729	7.3%
Borrowings	54,000	70,019	-22.9%
Other liabilities	6,462	6,995	-7.6%
Total liabilities	470,027	458,743	2.5%
Shareholders' equity:			
Preferred stock, \$1,000 liquidation value per issued share; 5,000,000 shares authorized; 24,063 shares issued at December 31, 2012 and at December 31, 2011	23,763	23,763	0.0%
Common stock, \$1 par value; authorized 5,000,000 shares; 2,454,840 shares issued at December 31, 2012 and 2,292,656 shares issued at December 31, 2011	2,455	2,293	7.1%
Additional paid-in capital	41,448	38,402	7.9%
Retained earnings	868	1,735	-50.0%
Treasury stock, at cost - 125,865 shares at December 31, 2012 and December 31, 2011	(3,548)	(3,548)	0.0%
Accumulated other comprehensive income	1,872	1,918	-2.4%
Total Elmira Savings Bank shareholders' equity	66,858	64,563	3.6%
Noncontrolling interest	51	52	-1.9%
Total shareholders' equity	66,909	64,615	3.6%
Total liabilities and shareholders' equity	\$536,936	\$523,358	2.6%

Shareholder Inquiries

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

The Bank's annual and quarterly reports, 10-K, and 10-Q will be furnished without charge upon written request to:

Thomas M. Carr
Executive Vice President/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

Elmira Savings Bank
CONSOLIDATED STATEMENT OF INCOME
(unaudited)

(in thousands, except for per share data)	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2012	2011	% Change	2012	2011	% Change
Interest and Dividend Income:						
Interest and fees on loans	\$ 4,469	\$ 4,670	-4.3%	\$ 18,114	\$ 18,140	-0.1%
Interest and dividends on securities						
Taxable	476	578	-17.6%	2,111	3,140	-32.8%
Non-taxable	184	202	-8.9%	760	820	-7.3%
Total interest and dividend income	5,129	5,450	-5.9%	20,985	22,100	-5.0%
Interest Expense:						
Interest on deposits	903	952	-5.1%	3,712	3,850	-3.6%
Interest expense on borrowings	487	653	-25.4%	2,184	2,700	-19.1%
Total interest expense	1,390	1,605	-13.4%	5,896	6,550	-10.0%
Net interest income	3,739	3,845	-2.8%	15,089	15,550	-3.0%
Provision for loan losses	42	141	-70.2%	463	668	-30.7%
Net interest income after provision for loan losses	3,697	3,704	-0.2%	14,626	14,882	-1.7%
Noninterest Income:						
Service fees	297	231	28.6%	1,242	1,236	0.5%
Net gain on sale of loans	953	733	30.0%	3,561	1,836	94.0%
Net gain on sale of securities	-	152		75	448	-83.3%
Other service fees	165	159	3.8%	677	634	6.8%
Earnings on bank-owned life insurance	95	84	13.1%	388	369	5.1%
Other	19	23	-17.4%	107	204	-47.5%
Total noninterest income	1,529	1,382	10.6%	6,050	4,727	28.0%
Noninterest Expense:						
Salaries and benefits	1,803	1,698	6.2%	6,770	6,491	4.3%
Net occupancy	274	269	1.9%	1,130	1,154	-2.1%
Equipment	257	215	19.5%	946	854	10.8%
Regulatory assessments	61	106	-42.5%	360	462	-22.1%
Marketing and public relations	177	236	-25.0%	722	636	13.5%
Professional fees	147	114	28.9%	643	513	25.3%
Other	582	528	10.2%	2,373	2,092	13.4%
Total noninterest expense	3,301	3,166	4.3%	12,944	12,202	6.1%
Income before income taxes	1,925	1,920	0.3%	7,732	7,407	4.4%
Income taxes	621	624	-0.5%	2,514	2,373	5.9%
Net income	1,304	1,296	0.6%	5,218	5,034	3.7%
Less: Net income attributable to noncontrolling interest	5	5	0.0%	5	5	0.0%
Net income attributable to Elmira Savings Bank	1,299	1,291	0.6%	5,213	5,029	3.7%
Dividend on preferred stock	406	406	0.0%	1,609	1,512	6.4%
Accretion of preferred stock discount	-	-	-	-	252	-
Income available to common shareholders	\$893	\$885	0.9%	\$3,604	\$3,265	10.4%
Basic earnings per share	\$0.39	\$0.39	0.0%	\$1.58	\$1.45	9.0%
Diluted earnings per share	\$0.37	\$0.38	-2.6%	\$1.51	\$1.41	7.1%
Weighted average shares outstanding - basic	2,297,324	2,260,193	1.6%	2,277,545	2,253,452	1.1%
Weighted average shares outstanding - diluted	2,423,915	2,331,189	4.0%	2,389,217	2,315,109	3.2%
Dividends per share	\$0.22	\$0.19	15.8%	\$0.84	\$0.71	18.3%

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

ESB Enters Float in Two Holiday Parades

In November Elmira Savings Bank entered a float in both the 56th Annual Downtown Elmira Holiday Parade and the 18th Annual Corning Parade of Lights. The weather helped produce good turnouts for both parades.

The theme of this year's float was the "Candy Shoppe." The float was designed and built by 13 ESB employees. Giant candy canes and lollipops and Christmas lights galore adorned the float, including two candy cane poles which barely fit underneath the Elmira railroad viaduct! The production process began with an oven that melted the bricks of candy cane which then flowed down onto the conveyor belt. The conveyor carried the soft mass of raw candy cane into the bakery where it was transformed into candy canes ready for consumption. Employees dressed as candy chefs, complete with white puffy chef hats. There were many trials and tribulations along the way, but the employees enjoyed great camaraderie throughout the process and were proud of the final result.

The back-to-back nature of the two parades required quick setup and teardown times for the team, and the helping hands increased for the Corning parade as 30 employees and family members pitched in. Snow squalls, cold temperatures and sparkling lights added to the Christmas spirit as the ESB crew handed out chocolate coins and candy canes to the throng of appreciative attendees.

(Top photo) 30 ESB employees and family members helped with the float and handing out candy during the parade. (Middle and bottom photos) Elmira Savings Bank's 'Candy Shoppe' float makes its way down Market Street during the Corning Parade of Lights.



ESB Enters Float in Two Holiday Parades *(continued from page 4)*



(Left photo) Elmira Savings Bank's 'Candy Makers' prepare for the Elmira Holiday Parade. (Right photo) ESB's 'Candy Shoppe' float makes its way under the railroad viaduct.

Elmira Savings Bank Supports the United Way

Elmira Savings Bank is a committed supporter of the United Way and a committee of employees is dedicated to organizing fundraising activities within the Bank. Throughout the year various fundraisers are conducted to raise money; these fundraisers include denim days, basket raffles, and day off raffles. New this year was a Halloween candy raffle which was very successful.

The United Way Committee also conducts pledge meetings during the United Way Campaign held in the fall of each year. During these meetings employees are encouraged to make pledges either through payroll deduction or one time payments. Employee contributions have earned the Bank a Gold Employee Award from the United Way and the Bank's corporate contribution was awarded with a Platinum Award.

With the generosity of management, employees and the



From left to right, trike riders Colleen Manuel, Terri Andrus, Colleen Bean, Frank Spenna, Shanna Flint and Kelly Bishop.

work of the committee members, a total of \$16,000 was donated to the 2012 campaign through employee activities and pledges; the corporate donation has also been made to the 2012 United Way Campaign.

In October 2012 the Bank participated in the Ninth Annual United Way Trike Race. A donation is made by the Bank to participate in the race, which consists of teams of six from area

banks competing in a relay race on actual tricycles. Tryouts are conducted for Elmira Savings Bank's team to find the fastest riders.

On race day the trike team is cheered on by fellow employees sporting signs and pompoms. On October 12, 2012 the Elmira Savings Bank team won the trike race for the ninth consecutive year. Go ESB!

Online Banking Alerts and Other Services

Did you know that if you are enrolled in Elmira Savings Bank's Online Banking that you can receive various alerts?

You can choose to receive alerts to either your email address, your mobile phone or both. You have the options of receiving account alerts regarding account transfers you've requested, low balance alerts, equal or exceeds balance alerts, daily or weekly available balance alerts, or all of them. You can also select from various service alerts such as failed sign on attempts, password changes, user name changes and others.

Once you've enrolled in Online Banking and sign in simply choose the "administration" tab and then the "alerts" link to get started. To enroll your mobile phone for text alerts choose the "administration" tab and the "Mobile Banking" link.

Additional services available through Online Banking are: viewing account and loan history, performing transfers, requesting address changes, placing stop payments, viewing statements and cleared checks, Web BillPay, enroll for Mobile Banking and various savings and loan calculators.

For assistance with these free Online Banking services please contact us at (607) 734-3374, (888) 372-9299 or visit your local branch.

Welcome New ESB Employees

We are privileged to welcome these new employees to Elmira Savings Bank in the fourth quarter of 2012!

Tina Hatch joins our Ithaca Market as a Full-Time Teller. She has over 18 years of experience working in customer service at an automotive appraisal service.

Cherry Merrill joins our South Meadow Branch as a Part-Time Teller. She has over 12 years of customer service experience in the restaurant and hospitality industries.

Blair Rothenberg joins our Operations Department as a Call Center Specialist. She has seven years of retail sales experience and holds a Bachelor's degree in Business Administration from West Virginia Wesleyan College.

Shannon Spotts (Smith) originally joined ESB in 2006 as a Teller at our Southport Branch. She gained experience at several branch locations during her five and a half years with us. Shannon has returned as Full-Time Teller in our Elmira Market.

Cory Eddy comes to ESB as the Assistant Branch Manager at our Big Flats Branch. Cory

has seven years of previous community bank management experience and has a Bachelor's degree in Communications from St. John Fisher College.

Michele Smith joins our Commons Branch as a Part-Time Teller. She has four years of previous bank experience as well as over five years of operating her own business.

Alexandra Osgood returns to Elmira Savings Bank as a Teller at our new Erwin location. She originally joined ESB in January 2009 and was promoted to Senior Teller in September 2010. Most recently Allie was working in the health care field.

Andrea Devon joins ESB Advisory Services as a Financial Services Representative. She has two years of related experience and four years of customer service experience. Andrea has a Bachelor of Science degree in Business Finance from SUNY Fredonia.

Ashley Tallarida joins our Collections Department as a Collector. She brings with her over five years of collection experience. Ashley is currently working on obtaining an Associate's degree at Corning Community College.

Congratulations to the Following Employees

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

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

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

Jena Senefelder has been promoted to Teller Coordinator at the Horseheads Branch.

Jena joined Elmira Savings Bank as a Full-Time Teller at our West Elmira Branch in November of 2011. She transferred to the Horseheads Branch in August. Jena has previous department store work experience as well as three years of previous banking experience.

Elmira, NY 14901
333 East Water Street

Savings Bank
Elmira



Bulk Rate
Postage
PAID
Elmira, NY
Permit # 178

Explosion Rocks Elmira Savings Bank Building Building Destroyed But Bank Reports No Injuries

ELMIRA, NY — One of our Big Flats customers recently came across three photos which harkened to what is likely the most unusual incident in Elmira Savings Bank's history. At 8:17 p.m. on Thursday, January 2, 1936 an explosion rocked the Elmira Savings Bank building at 218 E. Water Street in Elmira. At that time ESB consisted only of its main building and was located on the south side of Water Street at the intersection of Baldwin and Water. According to newspaper articles at the time, natural gas was suspected initially but later dismissed. A bomb expert from the New York City Police Department was brought in at one point, but the actual cause of the explosion was never confirmed.

Miraculously no one was killed but there were some injuries from falling glass and debris. Hundreds of spectators flocked to the scene of the explosion as word spread of its location and Elmira Police employed crowd control as glass from surrounding buildings continued to fall in the aftermath.



Bank location in 1936.

Damage to the bank building was substantial. The interior was destroyed and the roof blown off completely. Some of the stone structure of the building's front was also blown off. Debris littered the sidewalk and street and the sidewalk in front of the Bank was displaced by the blast. The vault survived intact. The gas furnace, located the basement, was the only other piece of the Bank's interior to survive. Buildings throughout the surrounding area suffered major window damage and some structural damage. Cars on Water Street were moved by the force of the blast. The explosion



Same view in 2013.

was heard as far away as West Elmira, Southport and Horseheads.

Then Bank President Seymour Lowman, who had left his position as Assistant Secretary of the United States Treas-

ury less than three years prior in order to become Bank President, reassured that depositors' money was safe. Remarkably ESB was open again on Friday (the next day) by tem-

porarily taking over the former Chemung Canal Trust building at 415 East Water, which today is the home of the Chemung County History

*See Explosion
Continued on Page 2*

Explosion

Continued from Page 1

Museum. Local banks First National Bank and Trust Co., Chemung Canal Trust Co., the Mechanics Savings Bank and the Chemung Valley Savings and Loan Association had all offered ESB use of their facilities as well.

The Elmira Savings Bank building which had been constructed in 1922 at a cost of \$120,000 and was highly regarded for its ornate exterior, was rebuilt. Damage had been put at \$200,000. The building reopened on Monday, April 5, 1937. It remained Elmira Savings Bank's home until the Bank moved into its current Main Office building at 333 E. Water Street on December 8, 1975. The building at 218 E. Water was torn down under the urban renewal program to make way for Riverfront Park.



Front entrance of the bank after the explosion showing the damage to the roof.



Front entrance of the bank after the explosion.



Damage to the front pillar.



Boiler and basement damage.