

The Advisor

August 2011

A Newsletter for Elmira Savings Bank Shareholders, Customers and Community

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Elmira/Corning Board of Realtors' Annual Realtor of the Year Luncheon

On June 23, 2011, Elmira Savings Bank was the host of the Elmira/Corning Board of Realtors' Annual Realtor of the Year luncheon. ESB has been the host of this event for several years now, and each year we are challenged with coming up with a new and exciting theme.

Since the Realtor of the Year event highlights real estate "stars", a Hollywood Gala Theme quickly formed. When it was determined that the Board had not yet picked a location for the luncheon, a call was made to the Clemens Center to see if the smaller Mandeville Hall stage could work. The Clemens Center staff was very receptive to the idea and a meeting and tour of the facility solidified the plan.

As the attached pictures attest, on the day of the event, guests arrived and walked the "Red Carpet" lined with stars of all of the past Realtor of the Year winners.

Once inside, the ESB logo greeted visitors from high above, and star-shaped lights played across the walls. The tables were further decorated with centerpieces of shooting golden stars and star-wrapped mints. At each place setting, attendees received a gold-starred gift bag containing an ESB portfolio.

When the Realtor of the Year was announced, we surprised them all with a cannon burst of confetti and streamers that launched to the rafters and floated down on one and all, including newly crowned Realtor of the Year, Faye Guild-Nash of Realty USA, Corning.



Customer Appreciation

Elmira Savings Bank's Customer Appreciation Weeks are now well under way. The weather has been great so far and each branch has enjoyed record attendance. Please join us for free food and entertainment. You can see each branch's full schedule at www.elmirasavingsbank.com or at your local branch.

As of this printing, two weeks are remaining:

Triphammer:

Aug. 22 – 26

Horseheads:

Aug. 29 – Sept. 2

 **Elmira Savings Bank**



Customer Appreciation Week

We appreciate your business!

Elmira Savings Bank

HISTORY

David Decker, the first Bank president from 1869–1878, kept his home in Elmira while doing business in Wellsburg and was interested in many enterprises there. Being president of the Nobles Manufacturing Company, of the Southern Tier Savings Bank (now Elmira Savings Bank), and of the First National Bank at various times. He was supervisor of his ward and very active in Republican politics. He was greatly interested in education and served on the city board, at one time as president, and was officially connected with the seminaries both at Ovid and Lima and with Genesee College, which afterward became Syracuse University, of which he was a trustee at the time of his death, September 27, 1890.

Elmira Savings Bank Posts 5% Earnings Increase

Elmira Savings Bank, FSB (NASDAQ:ESBK) announced net income for the six months ended June 30, 2011 totaling \$2,422,000 or \$.85 per diluted share, compared to the \$2,312,000 of net income or \$.80 per diluted share reported for the same period in 2010. This represents a 5% or \$110,000 increase in net income and a 6% increase in diluted earnings per share.

Net income for the three months ended June 30, 2011 totaled \$1,308,000 or \$.47 per diluted share compared to \$1,233,000 or \$.44 per diluted share for the same period in 2010. This represents a 6% or \$75,000 increase in net income and a 7% increase in diluted earnings per share.

Net interest income was \$7.9 million for the first six months of 2011 compared to \$7.4 million for the same period last year. Non-interest income was \$2.1 million compared to \$2.3 million for the same period in 2010. Operating expenses were \$6.1 million for the first six months of 2011 compared to \$5.9 million for the same period in 2010.

Total assets increased by \$.5 million from \$499.2 million at June 30, 2010 to \$499.7 mil-

lion as of June 30, 2011. Total deposits were \$349.4 million as of June 30, 2010 compared to \$365.6 million as of June 30, 2011. This represents a \$16.2 million or 5% increase. Total loans increased by \$18.6 million or 6% from \$301.5 million as of June 30, 2010 to \$320.1 million as of June 30, 2011.

"During the first half of 2011, our mortgage and consumer loan production remained strong and above our expectations. We have continued to see commercial loan activity increase in our market area and are dedicated to growing this portfolio in the coming periods," said Michael P. Hosey, President and CEO. Hosey continued, "We continue to protect our net interest margin, focus on operating efficiency, monitor asset quality, and evaluate our capital needs and alternatives."

Elmira Savings Bank, FSB with \$499.7 million in total assets, is insured by the Federal Deposit Insurance Corporation (FDIC) and is a federally chartered Bank with five offices in Chemung County, NY; three offices and a loan center in Tompkins County, NY; one office in Steuben County, NY; one office in Cayuga County, NY; one cashless office in Schuyler County, NY; and a loan center in Cortland County, NY.

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

Shareholder Inquiries

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

The Bank's annual and quarterly reports, 10-K, and 10-Q will be furnished without charge upon written request to:
Thomas M. Carr
Executive Vice President
Chief Operating Officer
Elmira Savings Bank, FSB
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, FSB SELECTED CONSOLIDATED INCOME STATEMENT ITEMS

(Unaudited)

(In thousands except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net interest income	\$ 3,945	\$ 3,556	\$ 7,869	\$ 7,368
Provision for loan losses	182	50	332	350
Gain on sale of securities	230	103	296	309
Other noninterest income	1,013	1,083	1,849	1,952
Total noninterest expense	3,035	2,875	6,093	5,857
Income before taxes	1,971	1,817	3,589	3,422
Net income	1,308	1,233	2,422	2,312
Dividends on preferred stock	362	362	721	721
Income available to common shareholders	946	871	1,701	1,591
Basic earnings per common share	\$ 0.49	\$ 0.45	\$ 0.87	\$ 0.82
Diluted earnings per common share	\$ 0.47	\$ 0.44	\$ 0.85	\$ 0.80
Dividends per common share	\$ 0.20	\$ 0.20	\$ 0.40	\$ 0.40

Elmira Savings Bank, FSB SELECTED CONSOLIDATED BALANCE SHEET ITEMS

(Unaudited)

(In thousands except per share amounts)

	June 30	December 31	June 30
	2011	2010	2010
Total assets	\$ 499,745	\$ 499,839	\$ 499,244
Loans receivable	320,140	309,945	301,535
Allowance for loan losses	3,010	2,909	3,006
Deposits	365,550	356,621	349,443
Borrowings	70,057	81,093	86,128
Shareholders' equity	58,528	56,451	56,222
Book value per common share	\$ 20.31	\$ 19.30	\$ 19.26

Calendar of Events

16th Annual Jazz and Harvest Festival

Sponsored by Elmira Savings Bank, FSB

September 23, 5:00 p.m.-9:00 p.m.

September 24, 11:00 a.m.-5:00 p.m.

Arnot Mall College Information Day

October 20, 11:00 a.m.-2:00 p.m. and 4:30 p.m.-7:00 p.m.

Downtown Elmira Holiday Parade

November 25, 10:30 a.m.

Crystal City Christmas

Sponsored in part by Elmira Savings Bank, FSB

Centerway Tree Lighting Ceremony and Parade of Lights

November 26, 4:00 p.m.-6:00 p.m. in Centerway Square

6:30 p.m. Parade begins

Window of Gifts Giveaway (At Select Gaffer District Businesses)

November 26, 2011 through December 16, 2011

Sparkle

December 3, 5:00 p.m.-9:00 p.m.

Abandoned Property

Did you know that state law requires financial institutions and other businesses to turn over abandoned property or unclaimed property to the state annually?

New York's Abandoned Property Law requires organizations holding unclaimed property report such property to the New York State Comptroller's Office of Unclaimed Funds. Banks, insurance companies, corporations, and courts are among the many organizations New York State requires to report such property. The law requires organizations to review their records annually and transfer accounts that have reached specified dormancy thresholds to the Comptroller, who serves as custodian of the funds until the rightful owners claim them.

Each year Elmira Savings Bank begins research on deposit accounts that have been inactive or dormant for five years and negotiable instruments that have not been negotiated within three years. If, after multiple attempts to contact the customer as well as a newspaper publication, we have not been able to activate accounts or negotiate the money orders or official checks, then through a designated process the funds must be remitted to the State. The funds are required to be remitted annually. The State also makes an attempt to locate the customer to return the funds.

To avoid having your funds turned over to the State keep your accounts current, negotiate checks or money orders you may be holding and keep your contact information up to date.

If funds have been turned over to the State the State can be contacted directly at 1-800-221-9311 (in state callers), 1-518-270-2200 (out of state callers) or by emailing www.osc.state.ny.us.



(l - r) Volunteers Lorenda Gneo, Christina Doyle, and Robin Gardner.

Showcase Tompkins

On June 8th, the annual Showcase Tompkins was held at the Ithaca Farmer's Market. This is the largest annual business tradeshow in Tompkins County. Elmira Savings Bank has participated in this unique event, displaying our products and services, for four consecutive years. The event gives our employees an opportunity to interact with business colleagues and community members alike. Attendance for this free public event has reached over 400 attendees for the last two years. Our door prize this year was fresh cut flowers by U-Pick Flower Garden. The lucky winner will have a new bouquet delivered to them for eight weeks. The Frisbee giveaways were a hit as well. Our name was definitely in the spotlight as many were using the Frisbee to fan themselves in order to get some relief from the heat.

"Cash In" Refinances

For many years, lower mortgage interest rates have brought a boom to the refinancing market.

Years ago, "cash-out" refinancing was most typical as homeowners sought to tap into their equity to draw out extra dollars that were used to fund all types of purchases like remodeling, new cars, vacations and education. Fast forward to 2011, however, and "cash-outs" have taken a decided backseat to an opposite strategy, putting money back in!

A "cash-in" refinance is made to reduce the loan balance by adding cash at closing to the principal, or reducing their loan term to accelerate their amortization (principal reduction) which creates equity in a shorter time. In fact, one-third of borrowers who refinanced their mortgages in the last quarter of 2009 opted for a "cash-in" refi.

The typical "cash-in" refi are those who plan to remain in their homes, are near the 80% LTV ratio break point where private mortgage insurance is no longer required, and all into a category when they may pay an additional fee for a "cash-out" refi. Also, with stricter underwriting guide lines and weaker home values, it has become more difficult to obtain a "cash-out" refi.

Welcome New ESB Employees

We are privileged to welcome **six** new employees to Elmira Savings Bank in the 2nd quarter of 2011.

Shaina Leister is a new Part-time Teller at our West Elmira Branch. She has been working as a Cashier for the past 3 years while attending college. Shaina has an Associate Degree in Business Administration from Corning Community College and a Bachelor's Degree in Management from Binghamton University.

Desirea Sullivan is a new Part-time Teller at our Southport Branch. She has 23 years of experience in Retail Management. Desirea has an Associate Degree in Liberal Arts from Corning Community College and a Bachelor's Degree in Psychology from Keuka College.

Joan Ferreira is the new Branch Manager for our Moravia Branch. Joan has over 20 years of banking experience including Branch Management, Financial Services, and Employee Development. Joan has an Associate degree from Dutchess Community College.

Sarah Work is a new Full-time Teller at our West Elmira Branch. Sarah obtained retail experience while earning her Bachelor's degree in Finance. Sarah graduated from Canisius College earlier this year.

Katy Gordon is a new Operations Specialist working in our Call Center. She has been self-employed in her family business for the past 16 years and has previous call center experience. Katy recently earned her Bachelor's degree in Applied Philosophy from Mansfield University.

Brandon Swartz is a new Part-Time Teller at the South Meadow Branch. He has been working in customer service for the past four years. Brandon has an Associate Degree from Corning Community College.

Welcome to Elmira Savings Bank!

Congratulations to the following Employee

Peggy Hurd was promoted to Branch Manager at our Commons Branch last month. Peggy started at the South Meadow Branch as a Teller in May, 2009. She was promoted to Customer Service Representative at the Triphammer Branch in December of 2009, and then on to Assistant Branch Manager at the Commons Branch last June.

Congratulations Peggy!

Bulk Rate
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