February 2014 | A Newsletter for Elmira Savings Bank Shareholders, Customers and Community | Vol. 4 No. 2

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Calendar of Events

Annual Shareholder's Meeting
April 22, 2014 10:00 a.m.
Clemens Center, Elmira, NY

•

Brand Park Summer Concert Series
Summer 2014

•

Customer Appreciation Weeks
Summer 2014

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Elmira Savings Bank

President's Message

Thomas M. Carr
President,
Chief Operating Officer

Modern technology has revolutionized the way in which we shop. The internet, debit cards, and credit cards have all made shopping easier for consumers. However, these conveniences are not without risks. During the Holiday Season, we all became aware of the security breach at one of the nation's largest retailers, affecting tens of millions of consumers.

In the following paragraphs, I will provide you with some suggestions for preventing identify theft and also some actions to take if you believe you are a victim of identity theft:

U.S. Mail

When dealing with your mail, be careful. It can contain a lot of sensitive personal information. Here are some tips to protect your mail:

- Don't leave outgoing mail in an unsecured location. Deposit mail in USPS collection boxes.
- Don't leave mail in your mailbox overnight or on weekends.
- Have your mail held at the post office while you are out of town.
- Get a mailbox that locks.

Computer

Most casual PC users are unaware of how dangerous the internet can be. Without the proper knowledge and protection, you could be just a few simple keystrokes away from having your identity stolen. Here are some tips for preventing online identity theft:

- Use anti-spyware and anti-virus software.
- Only shop at sites that you trust and are secure.
- Don't get baited by phishers.
- Encrypt your wireless internet connection.
- Erase your hard drive if you ever sell or give away your computer.

Trash

When discarding personal documents, if it has your social security number, bank account, credit card, or any other identifying number on it, remember to shred it before you trash it. Here's a list of some of the items you should always shred when it comes time to discard them:

- Bank and credit card statements
- Pre-approved credit card offers
- ATM receipts
- Cancelled or voided checks
- Expired passports, visas, and credit cards
- Tax forms, bills, and paystubs

If you are a victim of identity theft, the following steps are recommended by the Federal Trade Commission and should be taken and documented:

1. Place a fraud alert on your credit reports and review your reports. You need to contact only one of the three companies listed below to place an alert:

   Equifax:
   1-800-525-6285
   www.equifax.com
   PO Box 740241
   Atlanta, GA 30374-0241

   Experian:
   1-888-EXPERIAN (397-3742)
   www.experian.com
   PO Box 9532, Allen, TX 75013

   TransUnion:
   1-800-680-7289
   www.transunion.com
   Fraud Victim Assistance Division
   PO Box 6790
   Fullerton, CA 92834-6790

2. Close the accounts that you know, or believe, have been tampered with or opened fraudulently.
3. File a report with your local police or the police in the community where the identity theft took place.
4. File a complaint with the Federal Trade Commission. You can file online at: ftc.gov/idtheft, by phone at 1-877-IDTHEFT (438-4338); TTY: 1-866-653-4261, or by mail: Identity Theft Clearinghouse, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington, DC 20580.

Be sure to call the Hotline to update your complaint if you have any additional information or problems.

In closing, I hope that you find this information useful. If you have any questions or would like to discuss this further, please call 1-888-372-9299, or visit one of our branches.

Elmira Savings Bank Reports 2013 Earnings

Highlights

- Net income was $5,054,000 for the twelve months ended December 31, 2013 compared to $5,213,000 for the same period in 2012. Income available to common shareholders after dividends on preferred stock increased 6.5% to $3,839,000 for the twelve months ended December 31, 2013 compared to $3,604,000 for the same period in 2012.
- Diluted earnings per share was $1.40 per share for the twelve months ended December 31, 2013 compared to $1.37 per share for the same period in 2012. This represents an increase of 2.2% for the twelve months ended December 31, 2013 compared to the same period in 2012.
- Return on average assets was .97% for the twelve months ended December 31, 2013 compared to .99% for the same period in 2012.
- Return on average equity was 8.51% for the twelve months ended December 31, 2013 compared to 7.92% for the same period in 2012.

"We are pleased to report a third consecutive year of net income in excess of $5 million. In addition to strong earnings of $5.1 million, the retirement of the SBLF preferred shares allowed us to increase our earnings per common share by 2%, despite slightly lower net income," said Thomas M. Carr, President and COO. Carr continued, "In January 2013, we expanded our branch network in Steuben County by opening a full branch in Erwin, NY. We also expanded our mortgage operations into Broome County in September with the opening of a loan production office in Vestal, NY. Finally, our shareholders were rewarded during the year with $.84 of cash dividends, a 10% stock dividend, and a year ending share price of $25.20 per share."

Shareholders' Equity

Shareholders' equity decreased $12.9 million to $54.0 million at December 31, 2013 compared to December 31, 2012. The decrease in shareholders' equity is attributable to the Bank redeeming $14.1 million of preferred stock issued to the United States Treasury Department through the Small Business Lending Fund. The current level of shareholders' equity equates to a book value per share of $16.64 at December 31, 2013, compared to $16.76 at December 31, 2012. Dividends paid to common shareholders were $0.21 and $0.84 for the three and twelve months ended December 31, 2013 compared to $0.20 and $0.77 for the same periods in 2012, representing increases of 5% for the three month period and 9% for the twelve month period.

Elmira Savings Bank
CONSOLIDATED BALANCE SHEET
(Unaudited)

(in thousands, except for share and per share data)	December 31, 2013	December 31, 2012	% Change
ASSETS			
Cash and due from banks	$7,077	$39,641	-82.1%
Federal funds sold and other short-term investments	564	684	-17.5%
Total cash and cash equivalents	7,641	40,325	-81.1%
Securities available for sale, at fair value	63,464	66,875	-5.1%
Securities held to maturity - fair value $8,302 at December 31, 2013, and $5,853 at December 31, 2012	7,805	5,521	41.4%
Federal Reserve and Federal Home Loan Bank (FHLB) stock, at cost	10,417	9,178	13.5%
Loans held for sale	1,847	3,167	-41.7%
Loans receivable	389,129	378,108	2.9%
Less: Allowance for loan losses	3,834	3,740	2.5%
Net loans	385,295	374,368	2.9%
Premises and equipment, net	8,620	7,947	8.5%
Bank-owned life insurance	12,387	11,988	3.3%
Accrued interest receivable	1,454	1,529	-4.9%
Intangible assets, net	210	316	-33.5%
Goodwill	12,320	12,320	0.0%
Other assets	2,865	3,402	-15.8%
Total assets	$514,325	$536,936	-4.2%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits	$397,733	$409,565	-2.9%
Borrowings	56,500	54,000	4.6%
Other liabilities	6,067	6,462	-6.1%
Total liabilities	460,300	470,027	-2.1%
Shareholders' equity:			
Preferred stock, $1,000 liquidation value per issued share; 5,000,000 shares authorized; 10,000 shares issued at December 31, 2013 and at 24,063 shares issued at December 31, 2012	9,700	23,763	-59.2%
Common stock, $1 par value; authorized 5,000,000 shares; 2,776,240 shares issued at December 31, 2013 and 2,454,840 shares issued at December 31, 2012	2,776	2,455	13.1%
Additional paid-in capital	41,693	41,448	0.6%
Retained earnings	2,485	868	186.3%
Treasury stock, at cost - 116,268 shares at December 31, 2013 and 125,865 shares at December 31, 2012	(3,327)	(3,548)	-6.2%
Accumulated other comprehensive income	644	1,872	-65.6%
Total Elmira Savings Bank shareholders' equity	53,971	66,858	-19.3%
Noncontrolling interest	54	51	5.9%
Total shareholders' equity	54,025	66,909	-19.3%
Total liabilities and shareholders' equity	$514,325	$536,936	-4.2%

See Page 4 for Shareholder Inquiries

Elmira Savings Bank
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

(in thousands, except for per share data)	Three Months Ended December 31, 2013	2012	% Change	Twelve Months Ended December 31, 2013	2012	% Change
Interest and Dividend Income:						
Interest and fees on loans	$4,409	$4,469	-1.3%	$17,733	$18,114	-2.1%
Interest and dividends on securities						
Taxable	454	476	-4.6%	1,744	2,111	-17.4%
Non-taxable	204	184	10.9%	776	760	2.1%
Total interest and dividend income	5,067	5,129	-1.2%	20,253	20,985	-3.5%
Interest Expense:						
Interest on deposits	781	903	-13.5%	3,224	3,712	-13.1%
Interest expense on borrowings	514	487	5.5%	1,976	2,184	-9.5%
Total interest expense	1,295	1,390	6.8%	5,200	5,896	-11.8%
Net interest income	3,772	3,739	0.9%	15,053	15,089	-0.2%
Provision for loan losses	-	42	-100.0%	315	463	-32.0%
Net interest income after provision for loan losses	3,772	3,697	2.0%	14,738	14,626	0.8%
Noninterest Income:						
Service fees	359	297	20.9%	1,357	1,242	9.3%
Net gain on sale of loans	536	953	-43.8%	3,007	3,561	-15.6%
Gain on sale of securities	-	-	-	61	75	-18.7%
Other service fees	174	165	5.5%	660	677	-2.5%
Earnings on bank-owned life insurance	92	95	-3.2%	399	388	2.8%
Other	18	19	-5.3%	73	107	-31.8%
Total noninterest income	1,179	1,529	-22.9%	5,557	6,050	-8.1%
Noninterest Expense:						
Salaries and benefits	1,938	1,803	7.5%	7,382	6,770	9.0%
Net occupancy	320	274	16.8%	1,259	1,130	11.4%
Equipment	255	257	-0.8%	1,022	946	8.0%
Marketing and public relations	143	177	-19.2%	676	722	-6.4%
Professional fees	130	147	-11.6%	674	643	4.8%
Other	787	643	22.4%	2,849	2,733	4.2%
Total noninterest expense	3,573	3,301	8.2%	13,862	12,944	7.1%
Income before income taxes	1,378	1,925	-28.4%	6,433	7,732	-16.8%
Income taxes	254	621	-59.1%	1,374	2,514	-45.3%
Net income	1,124	1,304	-13.8%	5,059	5,218	-3.0%
Less: Net income attributable to noncontrolling interest	5	5	-	5	5	-
Net income attibutable to Elmira Savings Bank	1,119	1,299	-13.9%	5,054	5,213	-3.1%
Dividend on preferred stock	277	406	-31.8%	1,215	1,609	-24.5%
Income available to common shareholders	$842	$893	-5.7%	$3,839	$3,604	6.5%
Basic earnings per share	$0.32	$0.35	-8.6%	$1.47	$1.44	2.1%
Diluted earnings per share	$0.30	$0.33	-9.1%	$1.40	$1.37	2.2%
Weighted average shares outstanding - basic	2,638,844	2,527,056	4.4%	2,617,073	2,505,300	4.5%
Weighted average shares outstanding - diluted	2,763,867	2,666,307	3.7%	2,745,934	2,628,139	4.5%
Dividends per share	$0.21	$0.20	5.0%	$0.84	$0.77	9.1%

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

Photos with Santa!

A new event was added to Elmira Savings Bank's calendar of activities in 2013 – "Photos with Santa." This first time endeavor was held at three of our branch locations in December: Big Flats, South Meadow, and Erwin. The free photo sittings gave employees the opportunity to spread some Christmas cheer and to spend time with children (and pets) of all ages. A huge thank you to Gary Short for playing the role of Santa, along with his many elves who committed their time and support in making this an overwhelming success: Frank Spena, Jim Pollen, Judy Woodruff, Shirley Weigand, Colleen Dean, John Stempin, Nancy Manwaring, Vince Mazzarella, Cherry Merrill, Laura Ingle, Jill McConnell and Renée Wheeler.

Shareholder Inquiries

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

The Bank's annual and quarterly reports, 10-K, and 10-Q will be furnished without charge upon written request to:
Thomas M. Carr
President/COO
Elmira Savings Bank
333 E. Water Street, Elmira, NY 14901

The brokers currently making a market in the Bank's common stock are:
Stifel Nicolaus
Spear, Leeds & Kellogg
Moors & Cabot
Baird Patrick

Holiday Parades

In December, Elmira Savings Bank sponsored the Corning Gaffer District's 39th annual Sparkle Event. The event was held on historic Market Street in Corning and featured over 110 merchant, vendor and non-profit participants from the area. Attendees enjoyed a variety of activities, including horse and carriage rides, shopping and dining promotions and other outdoor activities and entertainment for the whole family. In addition to sponsoring the celebration, Elmira Savings Bank hosted a stand entertaining visitors with a Corn Toss and Hole in One game, a variety of prizes and face painting. Additionally, visitors to our stand stayed warm by our outdoor heaters throughout the chilly night. Look for us next year as we help the Gaffer District to commemorate its 40th annual Sparkle Celebration!

For the third consecutive year, Elmira Savings Bank employees got into the holiday spirit by participating in three holiday parades throughout the region. A group of employees worked hard for nearly two months to build our Candy Shoppe float - a dazzling display of lights and oversized candy. Riding on the float were employees and family members in colorful aprons, featuring the Elmira Savings Bank logo and outlined in colorful lights, while others walked alongside the float dressed in handmade gingerbread men costumes, candy button costumes, and sweatshirts decorated with colorful Elmira Savings Bank logos, each outfit well lit with Christmas lights.

On Friday, November 29, employees gathered in the frigid, early morning to participate in the 57th annual Downtown Elmira Holiday Parade, where an assortment of local businesses and organizations gathered to show their holiday spirit. The next day, employees prepared the float to participate in the 19th annual Corning Parade of Lights. This year's Parade of Lights was held on the Historic Market Street as a stationary parade due to construction projects throughout the area. A number of local businesses and organizations filled the streets with dazzling lights and holiday cheer. Elmira Savings Bank proudly earned two awards for this year's parade – first place for the "Best Use of Lights" category and first place for the first annual "People's Choice Award," where attendees voted for their favorite floats. A spectacular fireworks show ended the celebratory evening, sponsored by Elmira Savings Bank.

Elmira Savings Bank also attended the Watkins Glen Village Christmas Parade on Friday, December 6. This was ESB's first time participating in this event. The parade was themed "Visions of Christmas Past" and brought holiday cheer to downtown Watkins Glen. Employees and their family members gathered to participate in the parade and won the honored award of "Best Decorated."

Michael Hosey Receives Community Builder Award

Michael P. Hosey, ESB's Vice Chairman and CEO, was presented with the Mary E. Kennedy Community Builder Award at the Annual Chemung County Chamber of Commerce Awards Breakfast held on December 3, 2013.

The Mary E. Kennedy Community Builder Award recognizes the outstanding volunteer efforts of an individual who has helped enhance the quality of life in the community. The plaque was presented to Mr. Hosey for his "many years of generous support for an array of civic and charitable causes." Mr. Hosey has contributed countless hours to many organizations within our community throughout his 30-year career with Elmira Savings Bank.

We are proud to congratulate Mr. Hosey on receiving this most deserving honor.

Elmira Savings Bank Sponsors the Glentoberfest

On October 26, 2013 the first Glentoberfest was held at Watkins Glen International and Elmira Savings Bank served as the festival's official bank. WGI used the main paddock garage to host local craft beer vendors. Food was plentiful and Fritz's Polka Band, which has been featured on the TV show Breaking Bad and in the movie the Manchurian Candidate, kept the building rocking all afternoon.Several contests were held as well, including best dressed male and female. ESB's balsa gliders proved to be a big hit with the crowd and could be seen flying throughout the garage. The event was very well-attended and ESB is looking forward to being involved again in 2014.

Elmira Savings Bank — HISTORY

Russell F. Gee, Jr.
President 1960 – 1967

Russell F. Gee, Jr. was born on July 24, 1918 in Knoxville, Pennsylvania, and moved to Elmira, New York, in 1921. He graduated from the Elmira Free Academy and the Hun Business School in Princeton, New Jersey. During World War II, he served in the Air Force in England as a B-17 bomber pilot, receiving numerous awards and medals, including the Distinguished Flying Cross.

In November 1945, he joined Elmira Savings Bank, holding many positions until becoming President in 1960 at the age of 42. He was a second generation banker, as his father, Russell F. Gee, Sr., was president of Mechanics Savings Bank located two doors down from Elmira Savings Bank. In a desperate attempt to keep the area economy alive in the 1960's, Mr. Gee was one of nine young business and professional men known as the "Whiz Kids" who were responsible for a number of projects in Elmira, including the Centertown and Midtown areas of downtown. His unexpected death from a heart attack at the age of 48 was received by the bank and community with great sorrow. His widow, Eugenia, and two sons, Russell III and John, left the area after his death.

Elmira Savings Bank Repays SBLF Capital

Elmira Savings Bank (NASDAQ: ESBK) recently announced it has repaid the $3.5 million portion of its outstanding preferred shares that had been issued to the U.S. Treasury Department through the Small Business Lending Fund (SBLF).

Established by the Small Business Jobs Act of 2010, the SBLF provides capital to community banks and community-development loan funds to encourage small-business lending. In exchange, the banks issue the Treasury Department preferred shares of their stock, on which they must pay the Treasury dividends.

"We are pleased to redeem these outstanding preferred shares, exiting the SBLF program, and reducing our dividend payments to preferred shareholders," said Thomas M. Carr, President and Chief Operating Officer. Elmira Savings Bank announced last April that it had repaid the Treasury $10.5 million, or three-fourths, of the total it had received from the government.

Branch Hours

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

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

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

Welcome New ESB Employees

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

John Strong joins our Retail Services team as Assistant Vice President and Branch Manager at the South Meadow Branch. He brings over ten years of bank management and sales experience covering both retail and commercial banking. His background will serve as a valuable asset in the Tompkins and Cayuga Markets.

Walaa Horan joins our South Meadow Branch as a Part Time Teller. She brings over seven years of customer service experience. Walaa has a Bachelor's degree in Social Science from McMaster University.

Kent Sisco joins our Mortgage Department as an originator at the new Vestal office. He brings twenty years of mortgage origination and sales experience. His background and connections will serve as a valuable asset as we expand into the Broome County market. Kent holds an Associate degree in Business Administration from Regents College.

Welcome to Elmira Savings Bank.

Donating To Our Communities

As a community bank part of our responsibility is to be a good corporate citizen. We carry out this responsibility in part by making charitable donations to deserving organizations. Throughout 2013 Elmira Savings Bank made contributions in excess of $150,000 to charitable organizations throughout the communities it serves. Those organizations include health & human services, community advancement, cultural and educational organizations, as well as youth sports.

Some of the notable contributions made throughout the year were:

- Chemung ARC, Elmira
- Clemens Center, Elmira
- Compeer/Family Services of Chemung County, Elmira
- Food Bank of the Southern Tier, Elmira
- Guthrie Corning Hospital, Corning
- Notre Dame High School, Elmira
- Orchestra of the Southern Finger Lakes, Corning
- Paleontological Research Institution, Ithaca
- Rockwell Museum of Western Art, Corning
- Schuyler County Partnership for Economic Development, Watkins Glen
- Tompkins County Public Library Foundation, Ithaca
- United Way of the Southern Tier/United Way of Tompkins County
- Wings of Eagles Discovery Center, Big Flats
- Woodbrook Foundation, Elmira

Elmira Savings Bank is committed to making the markets it serves better places to live.

Elmira Savings Bank
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Elmira, NY 14901

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