August 2012

A Newsletter for Elmira Savings Bank Shareholders, Customers and Community

Vol. 2 No. 4

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The Advisor is published quarterly by Elmira Savings Bank

Elmira Savings Bank

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Elmira Savings Bank Purchases New Branch Location

Imira Savings Bank has purchased real estate located at 2081
Lake Road, Elmira Heights, NY. ESB has received approval from
the New York State Division of Financial Services to open a fullservice branch at this location. The new branch will open at the end of
August. With this addition Elmira Savings Bank will now boast eleven
full-service branches.

"We are pleased to open this branch in Elmira Heights to provide added convenience for our Horseheads and Elmira customers. We also look forward to developing new relationships and to expanding our existing relationships in Elmira Heights," said Thomas M. Carr, Executive Vice President and Chief Operating Officer.

Elmira Savings Bank Sponsors Realtor of the Year Luncheon

Imira Savings Bank was once again the sponsor of the Elmira-Corning Regional Association of Realtors Realtor of the Year Luncheon. This year's festivities were held on June 28 at the Hilton Garden Inn in Horseheads. In keeping with tradition the Mortgage Department team of Dawn Adams, Kathleen Bange and Aimee Barton put together a new theme for this year's event: Aviation. All guests received a boarding pass on entry which qualified them for great prizes such as a Nook, luggage, a Harris Hill sailplane ride and a travel kit. The Mortgage team did a great job of hosting the event, as usual. Each attendee received a free ESB balsa glider and an ESB plane.

Elmira Savings Bank's New Telephone Banking System

le have improved Elmira Savings Bank's telephone banking system. Telephone Banking is available 24 hours a day, seven days a week and can provide you with answers to many questions automatically so you don't have to wait to speak to a representative or drive to a branch.

The telephone banking system can provide you with real-time deposit and loan information to include balances, transaction history, and locating specific deposits or cleared items.

In addition to hearing about transactions, you can enter a stop payment, perform account transfers and loan payments, receive a fax of account transactions, your current deposit account interest rate and year-to-date interest information.

Our telephone banking system can be accessed by calling (607) 737-2500 or toll free (888) 270-9510.

Elmira Savings Bank

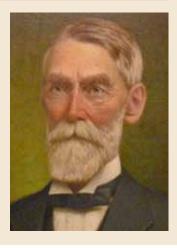
JESSE L. COOLEY

President - 1901 - 1914

Jesse L. Cooley was born in Elmira, NY, on October 14, 1827, the only son of Levi J. Cooley and Susan Maxwell Cooley. He completed his schooling at the old Elmira Academy, then mastered, and for a time, followed the trade of a machinist. He then embarked in the lumber business. On October 28, 1852, Mr. Cooley married Mary Stephens and had five children. As a young man of 30 in 1857, he was elected to the Board of Supervisors of Chemung County and served as Clerk for the Board for 10 years. In 1868 he was elected Treasurer of Chemung County, serving until 1879. He was a useful and wide-ranging participant in local affairs.

Serving as First Vice President of The Elmira Savings Bank, Jesse ascended to the Presidency of the bank in 1901 and served until his death in 1914.

HISTORY



Elmira Savings Bank Posts 4% Earnings Increase

Imira Savings Bank (NASDAQ:ESBK) announced net income for the six months ended June 30, 2012 totaling \$2,516,000 or \$.76 per diluted share, compared to the \$2,422,000 of net income or \$.77 per diluted share reported for the same period in 2011. This represents a 4% or \$94,000 increase in net income.

Net income for the three months ended June 30, 2012 totaled \$1,358,000 or \$.42 per diluted share compared to \$1,308,000 or \$.43 per diluted share for the same period in 2011. This represents a 4% or \$50,000 increase in net income.

The decline in diluted earnings per share despite increases in net income is attributable to an increase in potentially dilutive shares resulting from the higher average market price of the Bank's common stock for the three and six months ended June 30, 2012 versus the same periods in 2011. The average share price for the three and six months ended June 30,

2012 was \$19.09 and \$18.23 versus the average share price for the three and six months ended June 30, 2011 of \$15.18 and \$15.50. This represents a \$3.91 or 26% increase in the average share price for the three months ended June 30, 2012 and a \$2.73 or 18% increase in the average share price for the six months ended June 30, 2012, compared to the same periods in 2011.

Net interest income was \$7.5 million for the first six months of 2012 compared to \$7.9 million for the same period last year. Non-interest income was \$2.8 million compared to \$2.1 million for the same period in 2011. Operating expenses were \$6.4 million for the first six months of 2012 compared to \$6.1 million for the same period in 2011.

Total assets increased by \$31.0 million from \$499.7 million at June 30, 2011 to \$530.7 million as of June 30, 2012. Total deposits were \$365.6 million as of June 30, 2011 compared to \$398.0 million as of June 30, 2012.

This represents a \$32.4 million or 9% increase. Total loans increased by \$45.7 million or 14% from \$320.1 million as of June 30, 2011 to \$365.9 million as of June 30, 2012.

"During the first half of 2012, our mortgage and consumer loan production remained strong and above our expectations. This activity has allowed us to grow our loan portfolio, recognize increased levels of revenue from our secondary market activities, and avoid participating in the historically low yield investment market," said Michael P. Hosey, President and CEO. Hosey continued, "We continue to protect our net interest margin, monitor asset quality, and evaluate our capital needs and alternatives."

Elmira Savings Bank with \$530.7 million in total assets, is insured by the Federal Deposit Insurance Corporation (FDIC) and is a New York State chartered Bank with five offices in Chemung County, NY; three offices and a loan See Earnings on Page 3

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 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 SELECTED CONSOLIDATED INCOME STATEMENT ITEMS

(Unaudited)

(In thousands except per share amounts)

TI	hree Months Ended June 30				30 5	Six Months Ended June 30				
		2012	2	2011			2012		2011	
Net interest income	\$	3,772	\$	3,955		\$	7,540	\$	7,877	
Provision for loan losses		142		182			267		332	
Gain on sale of securities		75		230			75		296	
Other noninterest income		1,473		1,003			2,723		1,841	
Total noninterest expense		3,157		3,035			6,372		6,093	
Income before taxes		2,021		1,971			3,699		3,589	
Net income		1,358		1,308			2,516		2,422	
Dividends on preferred stock		403		341			798		679	
Accretion of preferred stock discount		-		21			-		42	
Income available to common shareholders		955		946			1,718		1,701	
Basic earnings per common share	\$	0.44	\$	0.44		\$	0.80	\$	0.79	
Diluted earnings per common share	\$	0.42	\$	0.43		\$	0.76	\$	0.77	
Dividends per common share	\$	0.22	\$	0.18		\$	0.44	\$	0.36	

Elmira Savings Bank SELECTED CONSOLIDATED BALANCE SHEET ITEMS

(Unaudited)

(In thousands except per share amounts)

	March 31	December 31			June 30		
	2012	2011			2011		
Total assets	\$ 530,646	\$ 523,358		\$	499,745		
Loans receivable	362,312	345,982			320,140		
Allowance for loan losses	3,556	3,299			3,010		
Deposits	397,972	381,729			365,550		
Borrowings	59,000	70,019			70,057		
Shareholders' equity	65,621	64,615			58,528		
Book value per common share	\$ 19.15	\$ 18.83		\$	18.47		

(1) Per share data have been adjusted to reflect the 10% stock dividend, or 196,819 shares, distributed on December 28, 2011.

Earnings

(continued from Page 2)

center in Tompkins County, NY; one office in Steuben County, NY; one office in Cayuga County, NY; one office in Schuyler County; 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.

Elmira Savings Bank Balsa Gliders

o go along with Elmira Savings Bank's new Big Flats branch and its glider theme, ESB commissioned a run of balsa wood gliders sporting the ESB People Wheel logo. The gliders were the idea of staff who recalled building and playing with them in their youth. The little planes made their debut at the Big Flats branch's Grand Opening and were so well received that the decision was made to give them out at other events as well.

At Showcase Tompkins people of all ages enjoyed assembling and flying the gliders across the Shops at Ithaca mall – a few even started races with their planes. ESB employees even joined in by sharing tips and tricks for flying the planes!



At customer appreciation events the airplanes were seen in many hands of children, flying around inside the branches, or even on top of a few tents! As soon as the airplanes were seen by the other customers people began calling out "My grandchildren/children would LOVE those!" or "I haven't seen those in years! May I have one?"

The gliders have brought back many memories of childhood for a lot of people, and our younger customers enjoyed flying them around inside and outside!

Customer Appreciation Weeks

uly 27 marked the halfway point in the 2012 Customer Appreciation season. Things started off at our Southport branch where the Chemung County Sheriff's Office were on hand to provide bicycle helmets for youths. The presence of local law enforcement agencies for safety and education is the newest event in the Customer Appreciation lineup.

Other events include pizza, hot dogs, popcorn, nachos, ice cream, prize drawings, local animal shelters, a clown, a magician, a caricature artist and a car wash. As in years past drawings included gift certificates to businesses local to the particular branch as well as movie and grocery gift cards.

New drawings this year include Elmira Savings Bank fold & carry chairs and a \$200 photo studio gift certificate. Those drawings took place at each branch. The overall Customer Appreciation Grand Prize for 2012 is a \$1000 Greek Peak resort getaway which can be used towards Waterfalls Spa, Cascades Indoor Water Park, ski slopes or the Adventure Center.

Customer Appreciation 2012 has proven to be another big success thus far and the rest of the summer promises more of the same!



(Above) Crossroads the Clown entertains Zachary and Chad Thomas during Customer Appreciation Week at our Horseheads branch. (At right) Ice cream mustache...Freeway enjoys Dennis' Homemade Ice Cream at the Commons Branch during Customer Appreciation Week. Freeway is a very friendly, ice cream-loving corgi mix available for adoption thru the Cayuga Dog Rescue.



June 25 - August 31, 2012



The Advisor

Welcome New ESB Employees

We are privileged to welcome four new employees to Elmira Savings Bank in the second quarter of 2012.

Bonnie Elvidge is working in the Collections Department as a Collector. Bonnie has many years of both collections and customer service experience. Bonnie has an Associate's degree in Business Administration from Corning Community College.

Bryan Gilbert has joined ESB as a Seasonal Teller working in the Elmira market. Bryan is currently working on a Bachelor's degree in Business and Finance at SUNY Cortland and will be graduating this December.

Chris Mekos joins Elmira Savings Bank as Vice President and Commercial Loan Officer. Chris has twelve years of banking experience, eight of which has been in commercial lending. Chris's main focus will be further developing the Ithaca market.

Melissa Park is ESB's newest Mortgage Originator. Melissa has origination experience from two other financial institutions, as well as six years of real estate experience. She will be working out of the Triphammer branch.

Welcome to Elmira Savings Bank!

Congratulations to Judy Woodruff!

udy Woodruff has been promoted to an officer of Elmira Savings Bank as Assistant Secretary.

Judy joined First National Bank in 1995 as a Part-Time Teller. Elmira Savings Bank acquired First National Bank's Southport branch in March 1999. Shortly after the transition, Judy was promoted to Accounting Clerk I. Judy was promoted to Accounting Clerk II in June 2001 and to Senior Accountant in November 2003.

Judy has been a key member of the Accounting Department and continues to grow in the department. She has an invaluable wealth of knowledge about the Accounting Department and bank systems. Judy has long been the go-to-person for accounting system questions and daily accounting "puzzlers."

Anyone who has worked directly with Judy knows that if she does not know the answer to your question immediately, she will not stop until she finds the answer, and then very often continues on further to help solve your problem.

Judy exemplifies the team spirit that makes Elmira Savings Bank such a unique and wonderful place to work. **Congratulations Judy!**

Elmira Savings Bank 333 East Water Street Elmira, NY 14901

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