



March 21, 2017

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 25, 2017.

The agenda for the meeting consists of three items: the election of four directors; the ratification of the selection of an independent auditor for the 2017 fiscal year; and the transaction of such other business as may be properly brought before the meeting or any adjournment thereof.

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 its Annual Report filed on Form 10-K for the fiscal year ended December 31, 2016 are included with this mailing.

Your directors and management look forward to seeing you at the meeting on April 25<sup>th</sup>.

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

Sincerely,

ELMIRA SAVINGS BANK

Thomas M. Carr  
President & Chief Executive Officer

Encl.

**ELMIRA SAVINGS BANK**

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

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**To be held April 25, 2017**

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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 25, 2017 for the following purposes:

1. To elect four (4) directors to the Board of the Bank. The Board of Directors is divided into three classes of directors serving staggered terms. All four 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, P.C. as independent auditors for the Bank for the 2017 fiscal year.
3. 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 6, 2017 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 21, 2017

**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 (“Board”) of Elmira Savings Bank (“Bank”)** for use at the annual meeting of its shareholders (“Annual Meeting”) to be held on Tuesday, April 25, 2017 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 21, 2017. The Bank’s 2016 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, President and Chief Executive 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, P.C. as the Bank’s independent auditor for 2017.**

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 \$7,500 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 6, 2017, the Bank had issued and outstanding 2,755,930 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. The ratification of the appointment of S.R. Snodgrass, P.C. as the Bank’s independent auditor for 2017 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 6, 2017 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 Board of Governors of the Federal Reserve System (“Federal Reserve Board”) and the Securities and Exchange Commission.

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	189,980 <sup>1</sup>	6.81%
Common Stock	Valicenti Advisory Services, Inc. 400 East Water Street Elmira, New York 14901	184,269 <sup>2</sup>	6.69%
Common Stock	Katherine H. Roehlke 333 East Water Street Elmira, New York 14901	180,195 <sup>3,4</sup>	6.52%
Common Stock	Thomas M. Carr 333 East Water Street Elmira, New York 14901	173,526 <sup>5</sup>	6.22%

<sup>1</sup> Of the total reported, 36,657 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.

<sup>2</sup> Based on a Form 13F filed by Valicenti Advisory Services, Inc. with the Securities and Exchange Commission on January 24, 2017.

<sup>3</sup> 100,038 shares reported as beneficially owned by Katherine H. Roehlke are owned by Black Horse Tavern Society Fund, Inc., a New York not-for-profit corporation. Ms. Roehlke is a member of the board of directors of the corporation and thereby shares with the other members of the board of directors of the corporation the power to direct the voting and/or disposition of the shares owned by the corporation. Ms. Roehlke does not have any direct or indirect pecuniary interest in the shares owned by Black Horse Tavern Society Fund, Inc.

<sup>4</sup> Of the total reported, 7,880 shares are deemed beneficially owned by Ms. Roehlke on account of her ability to acquire them via the exercise of vested stock options. For purposes of calculating the percentage of outstanding shares owned by Ms. Roehlke, the total number of shares of common stock outstanding has been increased by the number of shares that may be so acquired.

<sup>5</sup> Of the total reported, 33,513 shares are 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 2016 (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 <sup>1</sup>	Shares Acquirable via Exercise of Options	Number of Shares Beneficially Owned	Percent of Class <sup>2</sup>
<i>Nominees</i>					
Arie J. van den Blink	Director	2,830	7,880	10,710	*
Thomas M. Carr	President & CEO	140,013	33,513	173,526	6.22%
Kristin A. Swain	Director	8,785	15,477	24,262	*

Marianne W. Young	Director	15,036	7,880	22,916	*
<b>Continuing Directors</b>					
John R. Alexander	Director, Vice Chairman, Secretary	78,649	15,477	94,126	3.40%
Michael P. Hosey	Director, Chairman	154,323	35,657	189,980	6.81%
Robert Lambert	Director	1,900	4,728	6,628	*
Donald G. Quick, Jr.	Director	16,750	6,304	23,054	*
Katherine H. Roehlke	Director	172,315	7,880	180,195	6.52%
A. Scott Welliver	Director	53,958	15,477	69,435	2.51%
<b>Executive Officers who are not Directors</b>					
Kevin J. Berkley	EVP, Senior Loan Officer	30,448	9,744	40,192	1.45%
Jason T. Sanford	SVP & CFO	16,640	7,745	24,385	*

\* Indicates percentage ownership of less than 1%.

<sup>1</sup> Amounts reported in this column include shares held by current and retired named executive officers in the Bank's Employee Stock Ownership and Savings Plan as of March 6, 2017.

<sup>2</sup> 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 (not including former directors), as a group, beneficially own 859,409 shares or 29.39% of the Bank's common stock. This includes an aggregate of 19,668 shares allocated to the account of the current named executive officers participating in the employee stock ownership plan ("ESOP") component of the Bank's Employee Stock Ownership and Savings Plan, a tax-qualified retirement plan sponsored for the benefit of the Bank's employees ("Plan"), and 30,852 shares allocated to the accounts of current named executive officers who are participating the 401(k) plan component of such Plan.

The 401(k) portion of the Plan holds an aggregate of 50,096 shares of the Bank's common stock, representing approximately 1.82% of the outstanding shares. The ESOP component of the Plan holds an aggregate of 187,600 shares of the Bank's common stock, representing approximately 6.81% 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. Berkley is a trustee of the trust in which Plan assets are held, but because he lacks discretion to vote or dispose of shares held in such trust, the shares held in the Plan have not been included in his share ownership totals above.

No change in control of the Bank has occurred since the beginning of the Bank's last fiscal year.

#### **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, the votes 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, President & CEO, a copy of the Bank’s annual report on Form 10-K for the Bank’s 2016 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 ten 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. Four directors are to be elected at the Annual Meeting, which directors shall, upon their election, be elected 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.

Proxies delivered in response to this proxy statement may not be voted for more than four directors – the number of candidates nominated herein.

### **NOMINEES FOR ELECTION TO THE BOARD**

#### **Thomas M. Carr President & CEO, Elmira Savings Bank**

*Standing for election to Class II; Term expiring in 2020*

Mr. Carr has served as Chief Executive Officer of the Bank since July 16, 2014, and as President of the Bank since April 23, 2013. Mr. Carr had served as the Bank’s Chief Operating Officer from 2008 until his appointment as CEO. 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 those of Elmira City Club, The Three Rivers Development Foundation, Inc., Corning Community College Development Foundation, Inc., Chemung County Historical Society, ELMCO, LLC, Arnot Realty Corporation, Southern Tier Economic Growth, Inc., Chemung County Chamber of Commerce, and the Elmira College President’s Council. He previously served as a member of the board of directors of Notre Dame High School and Elmira Country Club. He has been a member of the Bank’s Board of Directors for five years. He is 47 years old.

Mr. Carr has twenty-seven years of community banking experience, sixteen 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.

**Kristin A. Swain**

**Executive Director, The Rockwell Museum**

*Standing for election to Class II; Term expiring in 2020*

Ms. Swain recently retired as the Executive Director of The Rockwell Museum located in Corning, New York and was an employee of Corning Incorporated. She previously served for over two decades as the President of the Corning Incorporated Foundation. Ms. Swain serves on the boards of The Clemens Center, the Corning Community College Development Foundation, Inc., and the Finger Lakes Land Trust. She previously served on the boards of Museumwise: The Museum Association of New York, United Way of the Southern Tier, and ARTS of the Southern Finger Lakes. She is a graduate of Sweet Briar College. She has served as a member of the Board for twenty-two years and is 64 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 and from her long service on the Board.

**Arie J. van den Blink**

**Chairman & CEO, The Hilliard Corporation**

*Standing for election to Class II; Term expiring in 2020*

Since January 1, 2011, Mr. van den Blink has served as Chairman and Chief Executive Officer 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., Twin Tiers Economic Development, Inc., Chemung County Chamber of Commerce, ELMCO, LLC, The Hilliard Foundation, and Historic Elmira, Inc. 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, The National Soaring Museum, The Clemens Center, Elmira Torch Club, Elmira Downtown Development, Elmira Country Club, and Glove House, Inc. He is a graduate of Rutgers Law School. Mr. van den Blink has served on the Board for five years. He is 59 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.

**Marianne W. Young**

**President and Director, Market Street Trust Company**

*Standing for election to Class II; Term expiring in 2020*

Ms. Young serves as the President and a member of the board of directors of Market Street Trust Company, a New York State-chartered limited purpose trust company. 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 member of the board of The Alternative School for Math and Science in Corning, New York. Her prior board service includes serving as president and trustee of the Rockwell Museum of Western Art in Corning, New York, and on the boards of Corning Community College Development Foundation, Inc., Tompkins Cortland Community College Foundation, Finger Lakes Land Trust, and Reconstruction Home, Inc. She is a graduate of Mt. Holyoke College and Cornell Law School. Ms. Young has served on the Board for five years. She is 54 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.

**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 2019*

Mr. Alexander is a partner in the law firm of Sayles & Evans, located in Elmira, New York. He serves as a member of the boards of directors of The Hilliard Corporation, Arnot Realty Corporation, F.M. Howell & Company, Carbonic Systems, Inc., and Electri-Cord Manufacturing Company. Mr. Alexander is a graduate of Cornell Law School and Brown University. He currently serves as Vice Chairman and Secretary of the Bank and has been a member of the Board for thirty-two years. He is 70 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 forty 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 tenure with the Bank give him considerable perspective in dealing with complex legal, regulatory, and risk management issues affecting the Bank.

**Michael P. Hosey**

**Chairman, Elmira Savings Bank**

*Class I; Term expiring in 2019*

Mr. Hosey served as Chief Executive Officer of Elmira Savings Bank from January 2003 until his election to Chairman of the Board as of July 16, 2014. He also served as President from January 2003 through April 23, 2013. 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 as Chairman of the Board of Arnot Health, Inc. and Historic Elmira, Inc., Vice Chairman of the Chemung County Industrial Development Agency, and on the boards of Southern Tier Economic Growth, Inc., Corning Community College, Jackals Community Board, and the George F. Randolph Foundation. He holds a master's degree in business administration and finance from Scranton University and is a graduate of the Stonier School of Banking. Mr. Hosey has served on the Board of Directors for sixteen years and is 59 years old.

Mr. Hosey joined the Bank in 1984 and 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.

**Robert K. Lambert, M.D.**

**President & CEO, Arnot Health, Inc.**

*Class III; Term expiring in 2018*

Dr. Lambert is President and Chief Executive Officer of Arnot Health, Inc., a three-hospital regional health system employing approximately 2,800 persons. From 1996 to 2013, Dr. Lambert was President of Arnot Medical Services. He is certified by the American Board of Internal Medicine, the American College of Physician Executives, and the American College of Healthcare Executives. Dr. Lambert received his medical education from the University of Rochester School of Medicine and Dentistry in Rochester, New York, and completed an internship in internal medicine at the University of Nebraska College of Medicine in Omaha, Nebraska. Dr. Lambert serves on the board of directors of Southern Tier Economic Growth and has served on the Chemung County Board of Health since 1988, including as chairman for several periods. He has been actively involved with the Excellus Southern Tier Regional Advisory Board, Elmira College Health Sciences Advisory Committee, Finger Lakes Performing Provider System Board, and the Regional

Commission on Community Health Improvement – Finger Lakes Health Systems Agency. He has served on the Board for three years and is 63 years old.

His experience as a healthcare provider and executive provide the Board with expertise in financial oversight, including oversight of capital and operating budgets, operational management, and efficiency, and furnishes the Board with a liaison to the Arnot Health system and the community.

**Donald G. Quick, Jr.**

**Consultant, Mengel Metzger Barr & Company, LLP**

*Class III; Term expiring in 2018*

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., Chemung County Industrial Development Agency, Historic Elmira, Inc., Chemung County Historical Society, and Arnot Health, Inc., and he previously served on the boards of directors of Bethany Village, Five Rivers Council, Inc. - Boy Scouts of America, and Elmira Country Club. He has served on the Board for five years. He is a graduate of the Rochester Institute of Technology and is 70 years old.

Mr. Quick has over forty years of experience in the accounting profession and 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**

*Class I; Term expiring in 2019*

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 serves on the boards of Howell, Liberatore & Associates, Inc., Southern Tier Economic Growth, and the Paperboard Packaging Council, and has previously served on the board of Arnot Ogden Medical Center, and has been involved with the World Presidents' Organization and Young Presidents International. Ms. Roehlke has served on the Board for five years. She is 57 years old.

Ms. Roehlke has thirty-five years of business experience. The Board benefits from Ms. Roehlke's significant management and sales expertise inside and outside of the Bank's market area.

**A. Scott Welliver**

**Chairman & CEO, Welliver McGuire, Inc.**

*Class III; Term expiring in 2018*

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 directors 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 located in Elmira, New York, and on the board of trustees of Elmira College. 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 Board for twenty-two years and is 67 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.

## CORPORATE GOVERNANCE

### Governance of the Bank

The Bank's business, property, and affairs are managed under the direction of the Board in accordance with federal law applicable to state-chartered savings banks that are members of the Federal Reserve System and relevant provisions of the Banking Law of the State of New York ("Banking Law"). The Bank's principal state regulator is the Department of Financial Services of the State of New York, and its principal federal regulator is the Board of Governors of the Federal Reserve System. 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 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 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 Listing Rule 5605(a)(2) 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 Bank's 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 ten 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 has historically served as an ex officio member of all standing committees. However, because Mr. Hosey was employed by the Bank within the past three years and, therefore, is not independent within the meaning of NASDAQ Stock Market Rule 5605, he is not a member of the Audit, Corporate Governance, and Compensation Committees, which are required to consist solely of independent directors. The Audit, Corporate Governance, and Compensation Committees each operate under a written charter adopted by the Board.

Mr. Hosey serves as the 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 Chief Executive Officer and other members of the Bank's management team and with the other members of the Board; provides the Bank's Chief Executive Officer with ongoing direction as to Board needs, interests, and opinions; and ensures 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 oversight and management.

In 2016, the Board of Directors held thirteen 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 Hosey, Alexander, Quick, Welliver, and Swain are current members of the Executive Committee. The committee held two meetings in 2016.

### **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, 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 2016.

### **Corporate Governance Committee**

Not less than three independent directors, including 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 2016. Directors Lambert, Quick, and Swain 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.

In accordance with its charter (a copy of which is attached hereto as Exhibit A and incorporated herein by reference), 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 independent directors. None of the three independent members of the Compensation Committee in 2016 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 2016.

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. Carr compiles and supplies to the Compensation Committee executive compensation profiles and comparables for all executive officers, including himself, which information is used by the Compensation Committee in evaluating the nature and extent of compensation paid to the Bank's executive officers. Mr. Carr further makes compensation recommendations to the Compensation Committee for all of the Bank's executive officers except for himself. Mr. Carr 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 at other times as necessary. Additionally, the Compensation Committee considers and takes action by written consent.

Directors Roehlke, Quick, and Welliver are members of the committee, all of whom are independent. The committee held three meetings in 2016.

### **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 Quick, van den Blink, Lambert, and Young, all of whom are independent within the meaning of NASDAQ Stock Market Rule 5605. The Board has determined that Mr. Quick qualifies as an "audit committee financial expert" within the meaning of Regulation S-K and as a "financial expert" meeting the requirements of NASDAQ Stock Market Rule 5605(c)(2)(A).

The Audit Committee held four meetings in 2016.

### **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 members of the Board attended the 2016 annual meeting of the Bank's shareholders.

### **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 enhance the diversity of the Board. 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 all directors be at least 18 years old and not older than 75 years and be domiciled in or have a principal residence or principal place of business in the Bank's market area, that at least one-half of the directors be citizens of the United States, and that no more than one-third of the members of the Board be active officers or 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 is required to submit 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. Once identified by the Corporate Governance Committee, the Committee recommends those candidates to the Board for its approval, which approval must be by a majority of the Board's independent directors given in a vote in which only independent directors participate. Chosen candidates are extended an invitation to join the Board, and if they accept, are formally nominated. The slate of nominees set forth in this Proxy Statement was approved unanimously by the entire Board following a recommendation by the Corporate Governance Committee.

#### *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, 2017 in order to be included in the proxy statement for the 2018 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 2018 annual meeting and to be included in the Bank's proxy statement for that meeting must be received by the Bank at its principal offices at 333 East Water Street, Elmira, New York 14901 no later than December 1, 2017. This date is also the deadline for submitting shareholder director nominees for inclusion in the Bank's proxy materials for the 2018 annual meeting.

If a shareholder intends to present a proposal for action at the 2018 annual meeting, the shareholder must provide the Secretary of the Bank with written notice thereof not less than five days prior to the meeting. If notice of such a proposal is given less than five days prior to the 2018 Annual Meeting, it shall be deferred for action at a subsequent adjourned, annual, or special meeting of the shareholders.

### **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 2016. In 2016, the Bank paid a total of \$250,247 to Sayles & Evans in legal fees. 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 cash and equity compensation for their Board-related activities.

Total compensation paid to all non-employee directors in 2016 was \$409,174.

The following table provides information regarding compensation that was paid to the individuals who served as non-employee directors of the Bank during the year ended December 31, 2016. 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, 2016

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	\$27,425	\$9,245	\$5,138	\$0	\$0	\$0	\$41,808
Michael P. Hosey	\$45,350	\$9,245	\$5,138	\$0	\$0	\$0	\$59,733
Robert K. Lambert	\$29,200	\$9,245	\$5,138	\$0	\$0	\$0	\$43,583
Donald G. Quick	\$35,788	\$9,245	\$5,138	\$0	\$0	\$0	\$50,171
Katherine H. Roehlke	\$30,075	\$9,245	\$5,138	\$0	\$0	\$0	\$44,458
Kristin A. Swain	\$27,988	\$9,245	\$5,138	\$0	\$0	\$0	\$42,371
Arie J. van den Blink	\$27,900	\$9,245	\$5,138	\$0	\$0	\$0	\$42,283
A. Scott Welliver	\$26,638	\$9,245	\$5,138	\$0	\$0	\$0	\$41,021
Marianne W. Young	\$29,363	\$9,245	\$5,138	\$0	\$0	\$0	\$43,746

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.

### Directors' Fees

Board members received an annual fee of \$14,000, with an additional \$575 for each Board meeting attended. The Chairman of the Board is paid \$22,000 as a base annual fee. The Audit Committee Chairperson received \$825 per meeting, and each other Audit Committee member was paid \$475 for each Audit Committee meeting attended. Chairpersons of each other committee of the Board received \$600 for each meeting of their respective committees, and each other member of such committees received \$425 per meeting. Base annual fees were prorated for all directors who served as members of the Board or in the position of Chairman of the Board for less than a full year.

The committee chairpersons in 2016 were as follows:

- Executive Committee: Mr. Hosey
- Corporate Governance Committee: Ms. Swain
- Compensation Committee: Ms. Roehlke
- Audit Committee: Mr. Quick
- Loan Committee: Mr. Hosey

### Equity Compensation

On May 1, 2016, each director was granted 1,576 options to purchase shares of the Bank's common stock at an exercise price of \$18.49 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 1, 2016 and ending May 1, 2026. Each director was also awarded 500 shares of restricted stock under the same plan, which shares shall vest in even increments over the three years following the grant of such shares.

The table below sets forth for each director the number of options and stock awards held as of December 31, 2016:

Name	Number of Options Outstanding and Exercisable	Number of Stock Awards Outstanding	Number of Stock Awards Vested
John R. Alexander	15,477	7,352	6,352
Michael P. Hosey	35,657	26,100	25,267
Robert K. Lambert	4,728	1,500	500
Donald G. Quick, Jr.	6,304	2,714	1,714
Katharine H. Roehlke	7,880	2,714	1,714
Kristin A. Swain	15,477	7,352	6,352
Arie J. van den Blink	7,880	2,714	1,714
A. Scott Welliver	15,477	7,352	6,352
Marianne W. Young	7,880	2,714	1,714

## EXECUTIVE COMPENSATION

The following table sets forth the total compensation awarded to, earned by, or paid in 2015 and 2016 to Mr. Carr, the Bank's principal executive officer, and to Messrs. Berkley and Sanford, who, after Mr. Carr, were the Bank's two most highly compensated executive officers in 2016.

### Summary Compensation Table

Name and Principal Position	Year	Salary	Option Awards (2)	Bonus	Stock Awards (1)	Non-equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings (3)	All Other Compensation	Total
Thomas M. Carr President & CEO	2016	\$ 344,693	\$ -	\$ -	\$ 48,779	\$ 33,500	\$ 32,931	\$ 28,798	\$ 488,701
	2015	\$ 335,000	\$ -	\$ -	\$ 18,144	\$ -	\$ 9,075	\$ 26,326	\$ 388,545
Kevin J. Berkley EVP & Senior Loan Officer	2016	\$ 164,043	\$ -	\$ -	\$ 15,456	\$ 16,493	\$ -	\$ 19,740	\$ 215,732
	2015	\$ 164,934	\$ -	\$ -	\$ 10,185	\$ -	\$ -	\$ 23,115	\$ 198,234
Jason T. Sanford SVP & CFO	2016	\$ 140,846	\$ -	\$ -	\$ 12,720	\$ 13,556	\$ -	\$ 14,997	\$ 182,119
	2015	\$ 135,563	\$ -	\$ -	\$ 8,190	\$ -	\$ -	\$ 14,604	\$ 158,357

(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 15 to the Bank's audited 2016 financial statements included in its annual report on Form 10-K.

(2) Amounts reported in the column entitled "Option Awards" represent the aggregate grant date fair value of the options granted, computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in note 15 to the Bank's audited 2016 financial statements included in its annual report on Form 10-K.

- (3) Amounts reported in the column entitled “Non-qualified Deferred Compensation Earnings” represent deemed earnings on compensation deferred under nonqualified deferred compensation plans, regardless of whether calculated at a rate exceeding 120% of the applicable federal long-term rate. Earnings on deferrals are calculated on the basis of returns realized 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 plans and change in control agreements. All executive officers are at-will employees of the Bank.

### **Executive Officer Base Salaries**

For 2016, the Compensation Committee considered the base salaries paid to chief executive officers, chief financial officers, and senior loan officers at peer institutions in the course of its review of the compensation of the Bank’s executive officers.

### **Non-Equity Incentive Plan Compensation**

Each of the named executive officers is 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 2015. 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, Messrs. Carr, Berkley, and Sanford were each eligible to receive in total, ten percent of their eligible earnings. Mr. Carr received \$33,500, Mr. Berkley received \$16,493 and Mr. Sanford received \$13,556 in fiscal year 2016.

### **Equity Compensation**

On February 2, 2016, each named executive officer received grants of restricted stock under the Bank’s 2009 Incentive Compensation Plan. Mr. Carr received a grant of 2,692 restricted shares, Mr. Berkley received a grant of 853 restricted shares, and Mr. Sanford received a grant of 702 restricted shares. All restricted shares granted vest on the earliest of the third anniversary of the grant date, the death of the grantee, the date on which the grantee becomes disabled, or the date the grantee’s employment with the Bank is terminated without cause. Options that are granted under the 2009 Incentive Compensation Plan are subject to a vesting period over three years with 25% vesting on the first anniversary of the grant date, 25% on the second anniversary, and 50% on the third anniversary. There were no grant of options to purchase shares made to any named executive officers in 2016.

### **Nonqualified Deferred Compensation**

Mr. Carr participated 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**

Messrs. Carr and Berkley were each provided with use of a Bank-owned car. The Bank paid for membership of Messrs. Carr and Berkley in the Elmira Country Club and the Elmira City Club. The Bank paid for membership of Mr. Sanford in the Ithaca Country Club. The membership dues and assessments of the clubs, along with the lease values of the automobiles, prorated between the Bank and each executive officer based on personal and business usage, have been included in the "All Other Compensation" column of the Summary Compensation Table.

The Bank sponsors the Employee Stock Ownership and Savings Plan, which is a combined 401(k) 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 2016 were as follows: Mr. Carr received \$24,220, Mr. Berkley received \$15,231, and Mr. Sanford received \$13,896.

## **Change in Control Agreements**

Mr. Carr has a Change of Control Agreement with the Bank (which agreement is not part of a written employment agreement) dated July 16, 2014. 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 July 16, 2014, (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. Carr'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. Carr for good reason (which, as defined, includes a reduction in Mr. Carr's pay, certain relocations of Mr. Carr's office or a material reduction in responsibility, position, authority or duty), then (a) the Bank will pay to Mr. Carr as severance an amount equal to two and ninety-nine hundredths (2.99) times Mr. Carr's pay (defined as Mr. Carr'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. Carr and his dependents, all welfare benefit plans in which Mr. Carr was entitled to participate immediately prior to termination; and (c) the Bank will pay to Mr. Carr, 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. Carr under his Agreement exceeds certain threshold amounts, federal excise tax could be imposed on Mr. Carr 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. Berkley and Mr. Sanford, have change of control agreements similar to that of Mr. Carr, except that (a) the severance payment under each agreement 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.

## OUTSTANDING EQUITY AWARDS

The following table summarizes all equity awards outstanding held by each of the named executive officers as of December 31, 2016:

Name	Option Awards				Stock Awards		
	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
Thomas M. Carr	5/1/07	1,981	-	\$19.13	5/1/17	- \$	-
	5/9/11	9,026	-	\$13.20	5/9/21	- \$	-
	4/23/12	4,510	-	\$15.60	4/23/22	- \$	-
	2/6/13	6,228	-	\$21.02	2/6/23	- \$	-
	2/3/14	5,884	5,884	\$23.90	2/3/24	585 \$	11,963
	5/1/14	-	-	-	-	900 \$	18,405
	2/2/15	-	-	-	-	864 \$	17,669
	2/1/16	-	-	-	-	2,692 \$	55,051
		27,629	5,884			5,041 \$	103,088
Kevin J. Berkley	5/9/11	93	-	\$13.20	5/9/21	- \$	-
	4/23/12	2,042	-	\$15.60	4/23/22	- \$	-
	2/6/13	3,216	-	\$21.02	2/6/23	- \$	-
	2/3/14	2,197	2,196	\$23.90	2/3/24	390 \$	7,976
	2/2/15	-	-	-	-	485 \$	9,918
	2/1/16	-	-	-	-	853 \$	17,444
		7,548	2,196			1,728 \$	35,338
Jason T. Sanford	4/23/12	1,713	-	\$15.60	4/23/22	- \$	-
	2/6/13	2,659	0	\$21.02	2/6/23	- \$	-
	2/3/14	1,687	1,686	\$23.90	2/3/24	299 \$	6,115
	2/2/15	-	-	-	-	390 \$	7,976
	2/1/16	-	-	-	-	702 \$	14,356
		6,059	1,686			1,391 \$	28,447

- (1) Option awards granted are subject to vesting conditions described above in the narrative disclosure following the Summary Compensation Table. Awards granted in 2008 and prior years were made under the Bank's 1999 Long-Term Incentive Plan. All awards made in 2009 and subsequent years were made under the Bank's 2009 Long-Term Incentive Plan and vest ratably over a three-year period that commences on their respective grant dates.
- (2) The vesting conditions to which all grants of restricted stock are subject are described above in the narrative disclosure following the Summary Compensation Table.

### 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 2016, 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.

## **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 2016, 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 Board of Governors of the Federal Reserve System, except that: (i) a Form 4 reporting a purchase of 200 shares by Mr. Quick on March 7 was filed on March 10; (ii) Forms 4 reporting grants of 500 shares of restricted stock and 1,576 options to each of Mr. Alexander, Mr. van den Blink, Mr. Hosey, Mr. Lambert, Mr. Quick, Ms. Roehlke, Ms. Swain, Mr. Welliver, and Ms. Young on May 2 were filed on June 2 due to technical difficulties which prevented the FDIC's electronic reporting system from accepting filings; (iii) a Form 4 reporting sales by Mr. Berkley of 1,100 shares on May 5 and 500 shares on May 9 was filed on June 1 due to technical difficulties which prevented the FDIC's electronic reporting system from accepting filings; (iv) a Form 4 reporting sales by Mr. Berkley of 100 shares on May 10 and 2,800 shares on May 12 was filed on June 2 due to technical difficulties which prevented the FDIC's electronic reporting system from accepting filings; (v) purchases of 100 shares by Mr. Quick's spouse and 25 shares by Mr. Quick as custodian for his grandson, both of which occurred on May 10, were reported on a Form 5 filed February 13, 2017; (vi) a Form 4 reporting sales by Mr. Hosey of 2,100 shares on August 23 and 2,542 shares on August 25 was filed on August 30; and (vii) a Form 4 reporting a sale of 100 shares by Ms. Tangorre on October 26 was filed on October 31.

## **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 named executive officer of the Bank:

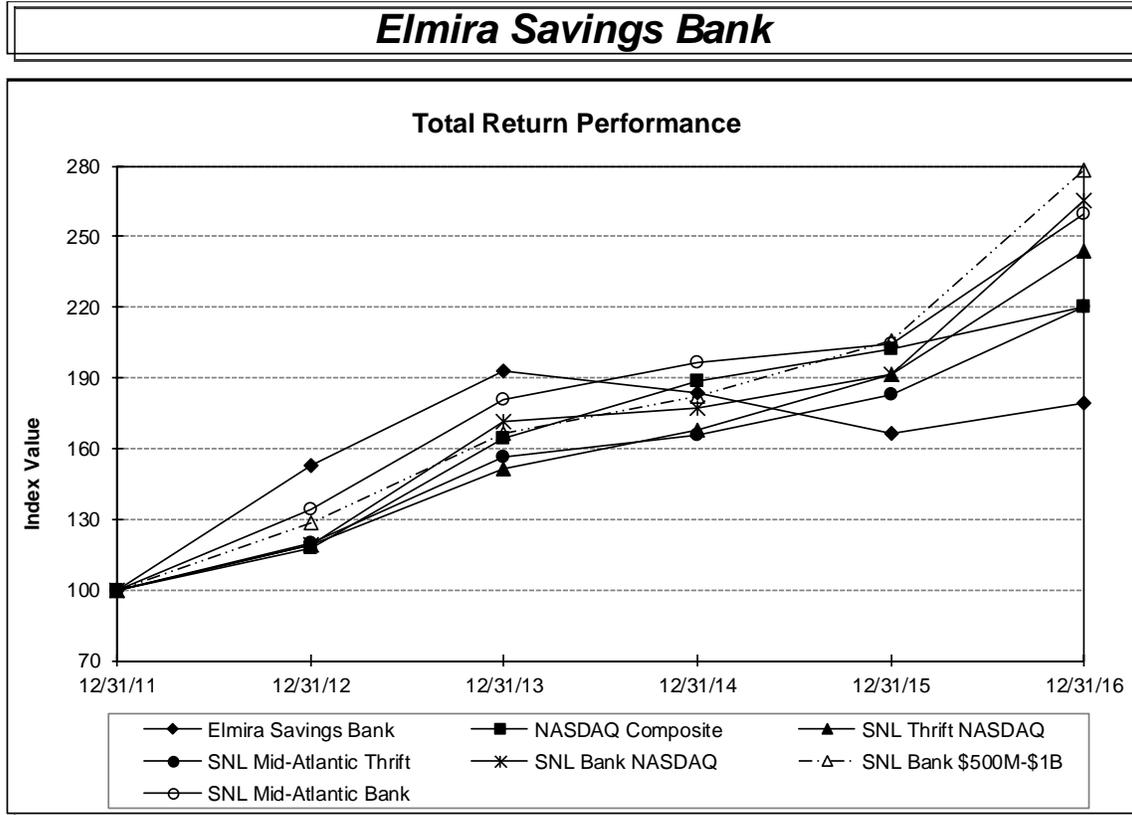
**Thomas M. Carr**, age 47, has served as Chief Executive Officer of the Bank since July 16, 2014 and as President of the Bank since April 23, 2013. Mr. Carr had served as the Bank's Chief Operating Officer from 2008 until his appointment as CEO. From June 24, 2000 through April 1, 2009, he served as Chief Financial Officer.

**Jason T. Sanford**, age 43, has served as Senior Vice President since June 23, 2008 and as Chief Financial Officer since April 1, 2009. Previously, Mr. Sanford served as a Senior Auditor at Cornell University. Mr. Sanford is a licensed CPA in the State of New York and worked for several years in public accounting, providing audit and assurance services to financial institutions throughout New York State.

**Kevin J. Berkley**, age 62, has served as Executive Vice President and Senior Loan Officer since August 7, 2013. He served as Senior Vice President and Mortgage Loan Officer since December 2007. Previously, Mr. Berkley has served as a Vice President and Commercial Loan Officer at several other community banks. Mr. Berkley has over 30 years of lending experience in community banks throughout central New York.

**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 Composite Index return for the U.S. Stock Market; and SNL's total return indexes for (ii) NASDAQ Thrift stocks, (iii) Mid-Atlantic Thrift stocks, (iv) NASDAQ Bank stocks, (v) stocks for Banks with total assets \$500 million to \$1 billion, and (vi) Mid-Atlantic Bank stocks as peer group comparisons. Total return assumes the reinvestment of cash dividends.



**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, P.C. as the Bank’s independent auditor, to examine the consolidated financial statements of the Bank for the 2017 fiscal year. S.R. Snodgrass, P.C. served as the Bank’s outside auditor with respect to the Bank’s 2016 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, P.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, P.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, P.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, P.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, P.C. as the Bank's independent auditor for fiscal year 2017.

**The Board of Directors recommends a vote "FOR" the ratification of the appointment of S.R. Snodgrass, P.C. as the Bank's independent auditor for the 2017 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 auditor's 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 Bank management. However, the Audit Committee has delegated pre-approval authority to the Audit Committee chairman for unplanned services that arise during the year. The Audit Committee 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 S.R. Snodgrass, P.C. for the audit of the Bank's consolidated financial statements as of and for the years ended December 31, 2016 and December 31, 2015, and fees billed for other services rendered:

Audit fees, including the reviews of our interim consolidated financial statements included in the Bank's quarterly reports on Form 10-Q	<u>2016</u>	<u>2015</u>
	\$118,790	\$118,558
Audit-related fees	\$ 0	\$ 0
Tax fees	\$ 24,200	\$ 26,850
Other fees	\$ 8,216	\$118,923
Total Fees	\$151,206	\$264,331

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, development of the Bank's strategic plan, and for facilitation services related to the Bank's study of its business processes in an effort to improve workflow and develop operating efficiencies.

One hundred percent 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, P.C.'s engagement to audit the Bank's 2016 financial statements, none are attributable to work performed by persons other than S.R. Snodgrass, P.C.'s full-time, permanent employees.

### **Audit Committee Review**

The Audit Committee considered whether S.R. Snodgrass, P.C.'s provision of the non-audit services summarized in the preceding section is compatible with maintaining S.R. Snodgrass, P.C.'s 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, 2016:

The Audit Committee is responsible for providing the independent, objective oversight of the Bank's accounting functions and internal controls. In 2016, the Audit Committee was composed of four directors, all of whom were "independent directors" 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, P.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, P.C. and the Bank's internal audit function. The Audit Committee met with the Bank's management team and S.R. Snodgrass, P.C. to review and discuss the December 31, 2016 financial statements. The Audit Committee also discussed with S.R. Snodgrass, P.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 P.C. required by applicable requirements of the Public Company Accounting Oversight Board regarding S.R. Snodgrass, P.C.'s communications with the Audit Committee concerning independence, and the Audit Committee discussed with S.R. Snodgrass, P.C. that firm's independence.

Based upon the Audit Committee's discussions with management and S.R. Snodgrass, P.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, 2016 to be filed with the Federal Reserve Board.

Submitted by the Audit Committee: Donald G. Quick, Jr. (Chairman), Robert K. Lambert, Arie van den Blink, and Marianne Young.

## **OTHER MATTERS**

The Bank is not aware that any matters, other than those mentioned above, will be presented for action at the 2017 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 21, 2017

## EXHIBIT A

### COMPENSATION COMMITTEE CHARTER

#### **Mission Statement**

The Compensation Committee is appointed by the Board of Directors to discharge the Board's responsibilities relating to compensation of the Bank's senior officers. The Committee has overall responsibility for evaluating and recommending compensation plans, policies, and programs of the Bank.

The Compensation Committee, in accordance with applicable rules and regulations, shall produce an annual report on executive compensation for inclusion in the Bank's proxy statement (the "Proxy").

#### **Organization**

The Compensation Committee is a standing committee of the Board of Directors comprised of not less than three (3) independent Directors. An independent Director should be free of any relationship that could influence his/her judgment as a Committee member. The members shall be elected to the Committee by the Board annually or as necessary to fill vacancies in the interim. The Board shall designate one of the Committee members as Chairman. Compensation Committee members may be replaced by the Board.

#### **Meetings**

The Committee shall hold meetings as necessary. Compensation Committee meetings are ordinarily scheduled twice a year.

#### **Duties**

1. The Compensation Committee shall annually review and approve corporate goals and objectives relevant to Chief Executive Officer ("CEO") compensation, shall evaluate CEO performance in light of those goals and objectives, and shall recommend to the Board CEO compensation levels based on such evaluation. In determining the long-term incentive component of CEO compensation, the Compensation Committee will consider the Bank's performance, the value of similar CEO incentive awards at comparable banks, and the awards given to the CEO in past years.
2. The Compensation Committee shall consider and make recommendations to the Board regarding the selection and retention of all senior officers of the Bank.
3. The Compensation Committee shall annually review and approve for the CEO and the senior officers of the Bank (a) annual base salary level, (b) annual incentive compensation, (c) long-term incentive award, (d) severance arrangements and change in control agreements/provisions (in each case as, when, and if appropriate), and (e) any special or supplemental benefits.
4. The Compensation Committee shall administer, interpret, make grants and awards, adopt rules, and recommend to the Board amendments of the Bank's executive benefits, including Bank-wide and senior officer incentive compensation plans and the stock option plan.
5. The Compensation Committee shall consider and make recommendations to the Board concerning perquisites and other remuneration with respect to senior officers.
6. The Compensation Committee shall (a) consider and make recommendations to the Board concerning the total compensation package, including incentive compensation plans and equity-based plans, the structure and award formulae, and the calculation and performance targets for all incentive compensation programs for all senior officers and Directors, (b) make comparisons to peer banks and to the Bank's performance when compared to such peer banks, and (c) review and approve the Bank's disclosure of such matters in the Proxy.

7. The Compensation Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of CEO or senior officer compensation and shall have the sole authority to approve such consultant's fees and other retention terms. The Compensation Committee shall also have the authority to obtain advice and assistance from internal or external legal, accounting, or other advisors. The Bank will provide the Compensation Committee with the appropriate funding to exercise its authority to retain consultants or advisors.
8. The Compensation Committee shall review and make recommendations to the Board concerning management succession.
9. The Compensation Committee shall recommend to the Board of Directors the selection of the CEO of the Bank.
10. The Compensation Committee may form and delegate authority to subcommittees when appropriate.
11. The Compensation Committee shall make regular reports to the Board.
12. The Compensation Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Compensation Committee shall annually review its own performance.