

The Advisor

February 2011

A Newsletter for Elmira Savings Bank Shareholders, Customers and Community

Vol. 1 No. 2

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The Advisor is published quarterly by Elmira Savings Bank

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Mobile Banking is Now Here

Elmira Savings Bank is pleased to announce the addition of a new service, Mobile Banking!

Mobile Banking gives Elmira Savings Bank customers 24/7 access to their accounts via their mobile device. Account information can be accessed, transfers can be performed, and our branch and ATM locations can be researched by SMS text messaging, Mobile Web or Mobile App, and is all available for no charge by the bank.

To sign up for mobile banking, you must first enroll for Online banking (unless you are already a user). Sign in to Online Banking on your computer and choose the Mobile Banking option under the administration tab. Enroll your mobile phone and follow the activation instructions.

We support all the popular U.S. wireless phone carriers, including AT&T, Sprint, T-Mobile, and Verizon. If your carrier is not listed when you enroll, select 'Other' and try the Mobile Web option, or check back later, as new carriers are added over time.

Mobile Banking utilizes best practices from online banking, such as HTTPS, 128-bit SSL encryption, PIN, or password access and application time-out when your phone is not in use. A text messaging and/or data plan

Now Here!

A smartphone displaying the Elmira Savings Bank Mobile Banking app interface. The screen shows the text "MOBILE BANKING" at the top, a photo of a woman using a mobile device, and a list of features: "Obtain account balances", "Review transaction history", "Transfer funds", "Receive SMS text messaging alerts", "ATM/Branch locator", and "All from your cell phone". Below the list, it says "Stop by your local branch for enrollment details". The Elmira Savings Bank logo is at the bottom of the phone's display area.

- Obtain account balances
- Review transaction history
- Transfer funds
- Receive SMS text messaging alerts
- ATM/Branch locator
- All from your cell phone

Stop by your local branch for enrollment details

Elmira Savings Bank

is typically needed, as data usage can become expensive without them. There is no charge from Elmira Savings Bank associated with the service; however, there may be charges associated with text messaging and data usage on your phone.

For additional information or assistance with enrollment, please contact us at (607) 734-3374 or (888) 372-9299.

Connect with us at Facebook
www.facebook.com

Five Reasons Why You Need an IRA

What's the top reason people invest? According to most polls, the goal of investing is retirement saving. IRA's are incredibly beneficial retirement tools, and as such, all working individuals should seriously consider their IRA options. Here are five reasons why:

1. Do you have a clear retirement plan? IRA's offer peace of mind in knowing you have retirement savings.
2. Save at tax time as IRA's can defer, lower, or even eliminate tax on earnings.
3. If you don't put money into an IRA, you'll spend it - have a personal savings plan.
4. IRA's provide more control over your investments.
5. IRA's offer favorable treatment for parents - financial aid formulas ignore retirement savings.

Elmira Savings Bank offers a wide variety of retirement products to suit everyone's needs. Whether you're interested in one of our 54-Month CD-IRA Specials or a flexible Penflex Savings Account, let one of our Retirement Specialists assist you today. Also, don't forget about ESB Advisory Services! Our Financial Advisors specialize in high quality ING investment products. Give us a call us today at (607) 734-3374 to schedule your free consultation with one of our highly trained advisors.

Elmira Savings Bank

HISTORY

- **1983** The bank converted from a New York State bank charter to a federally chartered mutual savings bank.
- **1985** In March 1985, the bank became a stock savings bank with its first stock offering.

Elmira Savings Bank Posts Record Earnings

Elmira Savings Bank, FSB (NASDAQ:ESBK) today announced net income for the twelve months ended December 31, 2010 totaling \$4,833,000 or \$1.72 per diluted share, compared to the \$4,526,000 or \$1.60 per diluted share reported for the same period in 2009. This was an increase in net income of 6.8% or \$307,000.

Net income for the three months ended December 31, 2010 totaled \$1,226,000 or \$.43 per diluted share, compared to a net income of \$1,253,000 or \$.45 per diluted share in the fourth quarter of 2009.

Net interest income was \$14.9 million for 2010 compared to \$15.7 million in 2009. This decline was offset by a decrease of \$1.2 million in operating expenses to \$11.9 million for 2010 from \$13.1 million in 2009.

Total assets increased by \$.8 million or .2% from \$499.0 million on December 31, 2009 to \$499.8 million at December 31, 2010. Total outstanding loans increased by \$2.9 million or .9% from \$307.6 million as of December 31, 2009 to \$310.5 million as of December 31, 2010. Total deposits increased by \$4.0 million or 1.1% from \$352.6 million as of December 31, 2009 to \$356.6 million as of December 31, 2010.

"In 2010 we continued to focus on improving profitability and are pleased to be

able to report record earnings of \$4.8 million. This level of earnings was accomplished, in part, through fee income earned on the origination of over \$100 million of residential mortgages, improvement in our asset quality, and enhancement of our operating efficiency. Although our asset quality has always remained strong, during 2010 we continued to focus on improvement and are proud to have reduced our nonperforming loans by 56% and our loan delinquencies by 50% from December 2009," said Michael P. Hosey, President and Chief Executive Officer.

Hosey continued, "As we move forward into 2011, we believe we are well-positioned to continue to improve earnings through loan growth, net interest margin maintenance, and diligent focus on operating efficiency. During the fourth quarter of 2010, we expanded into Cortland County by opening a loan center. We also expanded our delivery channels during the fourth quarter by introducing our

mobile banking product, which provides ultimate convenience by facilitating banking through personal devices such as Blackberrys and cell phones."

Elmira Savings Bank, FSB with \$499.8 million in total assets, is insured by the Federal Deposit Insurance Corporation (FDIC) and is a federally chartered Bank with five offices in Chemung County, NY; three offices and a loan center in Tompkins County, NY; one office in Steuben County, NY; one office in Cayuga County, NY; one office in Schuyler County, NY; and a loan center in Cortland County, NY.

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

Change In Transfer Agents

In November of 2010 the Bank converted its shareholder transfer services from Computershare Trust Company to Registrar and Transfer Company. The conversion was affected with no major issues and the December dividend payment was executed by our new agent.

We anticipate this change will provide our shareholders with improved customer service and look forward to a long and lasting relationship with our new partner.

During the fourth quarter of 2010, our stock traded between the range of \$15.33 per share and \$18.50 per share. The Bank paid a dividend of 20 cents per share during the quarter. The current dividend yield for our common stock is approximately 5%.

If you have any questions or comments about this change, please call Thomas M. Carr, Executive Vice President and Chief Operating Officer, who is responsible for the Bank's shareholder relations at 607-734-3374.

Shareholder Inquiries

Registrar and Transfer Company
10 Commerce Dr., Cranford, NJ 07016-3752
(800) 866-1340

Elmira Savings Bank, FSB SELECTED CONSOLIDATED INCOME STATEMENT ITEMS

(Unaudited)

(In thousands except per share amounts)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2010	2009	2010	2009
Net interest income	\$ 3,868	\$ 3,894	\$ 14,919	\$ 15,703
Provision for loan losses	80	-	515	592
Gain on sale of securities	5	-	474	63
Other noninterest income	1,070	983	4,119	4,575
Total noninterest expense	3,045	2,956	11,859	13,070
Income before taxes	1,818	1,921	7,138	6,679
Net income	1,226	1,253	4,833	4,526
Dividends on preferred stock	365	366	1,451	1,410
Income available to common shareholders	861	887	3,382	3,116
Basic earnings per common share	\$ 0.44	\$ 0.46	\$ 1.75	\$ 1.62
Diluted earnings per common share	\$ 0.43	\$ 0.45	\$ 1.72	\$ 1.60
Dividends per common share	\$ 0.20	\$ 0.20	\$ 0.80	\$ 0.80

Elmira Savings Bank, FSB SELECTED CONSOLIDATED BALANCE SHEET ITEMS

(Unaudited)

(In thousands except per share amounts)

	December 31, 2010	December 31, 2009
Total assets	\$ 499,839	\$ 498,983
Loans receivable	310,477	307,616
Allowance for loan losses	2,909	3,139
Deposits	356,621	352,591
Borrowings	81,093	87,162
Shareholders' equity	56,451	54,546
Book value per common share	\$ 19.30	\$ 18.82

ESB Advisory Services Offers Products and Financial Planning

ESB Advisory Services, Inc. is a wholly-owned subsidiary of Elmira Savings Bank that offers financial services products and financial planning advisory services. The subsidiary was formed in 2005 and is currently in its sixth year of operation.

ESB Advisory Services, Inc. offers a full line of non-deposit, non-FDIC insured products at all of our ten branch office locations in partnership with ING, a global leader in financial services. We currently have two full-time licensed representatives, Larry Clark and Vince Mazzarella, who are available to provide their expertise at your convenience.

For more information or to schedule an appointment, call 607-734-3374.

A New Look for Deposit Account Statements

Great news! All of your monthly deposit account statements can now be combined into one simple and convenient format with combined statements. We've been hard at work combining many of our customers' statements. Best of all, as you open additional accounts with us, they will automatically be added to your combined statement relationship. For questions on accounts we have not automatically combined, please stop by any one of our branch offices or contact our Call Center at (607) 734-3374. Remember, we also offer eDelivery, the electronic delivery of your monthly account statements.

ESB Participates in Chamber Auction

As late October saw the leaves continue to fall and temperatures continue to drop, the Annual Tompkins County Great Big Chamber Auction raised spirits and funds through an evening of fun, food, friends, and good-natured bidding.

Held on the evening of Thursday, October 28, 2010, The Great Big Auction included a silent auction and a live premier auction. New this year, the Auction included an online auction, which opened the morning October 13, 2010 and concluded the evening of October 27, 2010. Also new, the Auction was held at the Clarion University Hotel, in Ithaca, New York.

Elmira Savings Bank contributed a "Best of the Finger Lakes," gift basket, showcasing some of the great flavors and fun of the Finger Lakes! A complete date evening (or a special toast to yourself), the basket included Lindt Lindor Truffles, seven bottles of wine straight from our own Finger Lakes, two wine goblets, a bottle stopper, and a \$100 gift certificate to Ithaca's own Mahogany Grill. The lovely basket was designed and put together by our very own Ashley Case, who has been a Chamber Committee member for three years.



ESB contributed a gift basket to the Chamber Auction.

ESB's attendance at the event included Ashley Case, Lorenda Gneo, Donna Tangorre, and Vince Mazzarella. While all enjoyed the fun and bidding, none were lucky enough to snag a winning bid on the spectacular items.

As The Great Big Chamber Auction came to an end, guests, businesses, and bidders enjoyed delicious food provided by local vendors, a cash bar, and hundreds of great prizes to bid on for a great cause.

In the end, Elmira Savings Bank was thankful and proud to participate in the event where a total of \$31,000 was raised, surpassing the total goal of \$30,000! All proceeds went directly to the Tompkins County Chamber of Commerce to benefit the businesses and organizations that are members of the Chamber and the Tompkins County community, through programs to enhance and encourage economic development and success within businesses and communities.

2010 United Way Campaign

Elmira Savings Bank is a committed supporter of the United Way. A committee of 19 employees is dedicated to organizing fundraising activities within the Bank. Throughout the year various fundraisers are done to raise money. These fundraisers include denim days, basket raffles, day off raffles and an employee snack shop. This year also included the creation and sales of the second employee cookbook. The cookbooks were sold during the holiday season and made great gifts. The cookbooks are still available at all of the branch locations.

The Elmira Savings Bank participated in the 7th Annual United Way Tricycle Race held at Community Bank. A team of six employees rode to victory for the seventh straight year, and the tricycle race trophy came back to the Main Office to be displayed for another year. Congratulations to Brad Serva, Kelly Bishop, Steve Hickey, Colleen Manuel, Amber Cayer and Frank Spena for bringing home the win.

The United Way Committee also conducts pledge meetings



ESB Tricycle Race Team: From left to right Brad Serva, Kelly Bishop, Colleen Manuel, Steve Hickey, Amber Cayer and Frank Spena.

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

Events

(continued from Page 4)

Santa's elves passed out goodie bags for the kids filled with coloring books and candy. They also assisted the adults in getting signed up for our drawing for a chance to win one of ten \$50 Visa gift cards! That's right ten lucky winners were picked, one each day for ten days for a total give-away of \$500!

Still To Come: Daffodil Days!

The first flowers of the season, Daffodils are a symbol of hope. Each spring the American Cancer Society prepares the new crop of daffodils by reaching out to area organizations, recruiting volunteers and securing allies in the fight against cancer. Last year, Daffodil Days sold more than three million cut flowers in New York and New Jersey alone! Contributions help fund the American Cancer Society's research, education, advocacy and patient services.

The daffodils will be delivered the week of March 14, 2011, so start day-dreaming daffodils, as more information will follow soon!

Welcome New ESB Employees!

We are privileged to welcome four new employees to Elmira Savings Bank in the fourth quarter of 2010.

Kristin Sad joins ESB as a Part-time Teller at the Triphammer Branch. Kristin was previously with JP Morgan Chase Bank for 16 years.

Mary Scott comes to Elmira Savings Bank as a Customer Service Representative at the Moravia Branch. Mary has a bachelors degree in Psychology from Oswego and brings over three years of experience from CFCU.

Tricia Rennells joins the Collections Department as our newest Collector. Tricia has a Masters Degree in Education from Elmira College and previous banking and collections experience.

Sara Doty is the newest employee joining ESB as a Part-time Teller at the Southport Branch. Sara has three years of retail sales experience at the Arnot Mall.

Welcome to Elmira Savings Bank!

ESB Events

Elmira Savings Bank held some great events in 2010's fourth quarter and the beginning of 2011's first quarter. The fun included:

Halloween 2010 Contest

Halloween hit Elmira Savings Bank with a force of fun this year! Each branch decorated from top to bottom with various themes and treats, from an ESB Speedway at the Ithaca Commons' Office, to a crazy carnival at the Corning Office. The decorations were for more than just fun, with the Main Office's various departments and each branch competing to win the highly coveted Halloween Award for best and most original decorations. The Horseheads branch took a close second place, with their fun Daycare theme, and other honorable mentions include the Operations Department for their camping theme, Moravia's "Under Construction" decorations, and "The People's Spa" at the West Elmira Branch, among others.

At the end of the day, two winners were announced: The Lending Department took the Area Title with their Ancient Egyptian

theme, and the South Meadow branch of Ithaca won the Branch Challenge with their theme of South Meadow's Sweets Candy Shoppe. In addition to the great fun, entertainment, and candies, each branch had a lovely spread of doughnuts and apple cider for the customers. No matter who won, Halloween was definitely a success for Elmira Savings Bank!

ESB Sponsors The Arrival of Santa!

On November 20, employees of ESB dressed as Santa's elves to celebrate his arrival to the Arnot Mall. Santa arrived for the Christmas season and lots of excited children and adults showed up to watch his arrival.



Playing Santa's elves are from left to right: Judy Johnston, Sue Walsh, Theresa Emo, Debbie Adams and Donna Tangorre.

See **Events** on Page 3

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