

OUR MISSION

THE MISSION OF ELMIRA SAVINGS BANK is to provide above average returns to our shareholders while providing a broad range of financial services that meet the needs of the individuals, businesses, and organizations of our community.

We will achieve this through our commitment to:

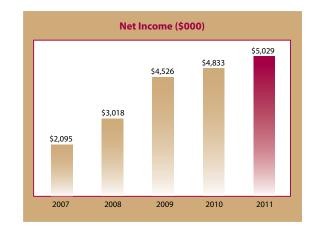
- Consistent and superior quality service for our customers.
- A culture that incents employees to excel personally and professionally.
- Leadership in and support for our community.
- Independence as a local community bank.



SELECTED FINANCIAL DATA

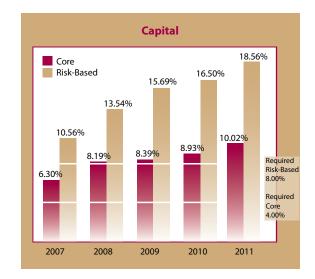
(in thousands, except for per share amounts)

FINANCIAL STATEMENT HIGHLIGHTS	2011	2010
Assets	\$ 523,358	499,839
Loans (including loans held for sale)	348,824	310,477
Allowance for loan losses	3,299	2,909
Deposits	381,729	356,621
Shareholders' equity	64,615	56,451
Net interest income	15,550	14,919
Provision for loan losses	668	515
Non-interest income	4,727	4,593
Non-interest expense	12,202	11,859
Net income attributable to Elmira Savings Bank	5,029	4,833



PER SHARE INFORMATION

Basic earnings per share	1.52	1.59
Diluted earnings per share	1.48	1.56
Book value per share	18.83	17.45
Cash dividend per share	0.75	0.73



SELECTED RATIOS

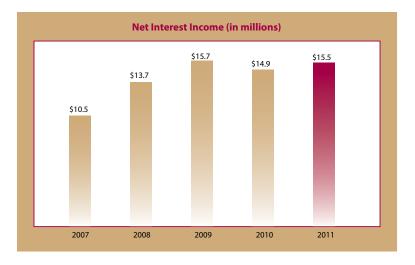
Return on average assets	1.00%	0.97%
Return on average equity	8.40%	8.62%
Shareholders' equity to assets	12.35%	11.29%
Dividend payout ratio	49.34%	45.71%
Efficiency Ratio	60.18%	60.78%

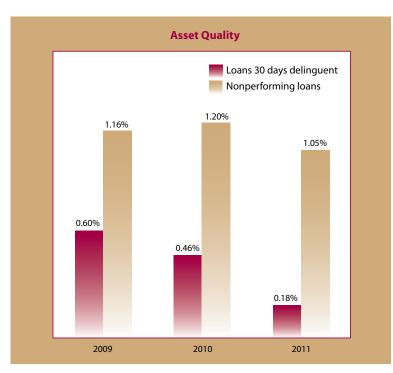
OTHER SELECTED DATA

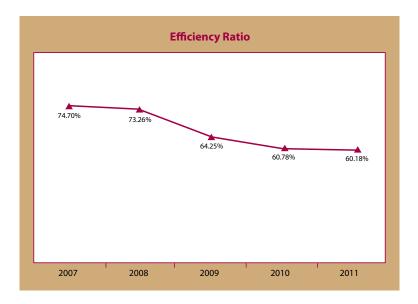
Number of offices	13	13
Number of automated teller machines	10	10
Weighted average shares outstanding	2,146,145	2,126,295
Weighted average diluted shares outstanding	2,204,866	2,169,212



Share and per share data have been adjusted to reflect the 10% stock dividend distributed December 28, 2011.







TO OUR SHAREHOLDERS

s I reflect on the accomplishments of this institution during the last year, accomplishments that were achieved by all organizational levels from the Board of Directors to the staff members of our branches, loan departments, and operational departments, it is clear that 2011 has been a year of accomplishments that were historic, and even more importantly, prepare the organization for future success.

During the past year our organization has achieved record net income of \$5 million; increased levels of capital; increased dividends; balance sheet expansion; maintenance of our asset quality, net interest margin, and operating efficiency; significant strengthening of our Board of Directors; the implementation of technologies that increase customer convenience and accessibility to the Bank; and the successful conversion to the New York State Savings Bank Charter.

The Bank achieved record earnings of \$5.0 million in 2011, an increase from \$4.8 million in 2010. This is the first time in our history that we have achieved net income of \$5 million. Our diluted earnings per share were \$1.48 per share in 2011 compared to \$1.56 in 2010. This decrease in diluted earnings per share, despite an increase in earnings, is attributable to the accounting treatment of a discount associated with the retired preferred shares issued through the Capital Purchase Program (CPP) to the Treasury Department. The accounting treatment created a one-time impact on the earnings per share calculation, but did not affect net income.

During 2011, the Bank expanded its capital base by retiring \$9.1 million preferred shares issued through the CPP and replacing it by issuing \$14.1 million of preferred shares through the Small Business Lending Fund (SBLF) to the United States Treasury Department. This transaction guaranteed us at least as good a preferred dividend rate as we could achieve through the CPP program and provided us with the opportunity to reduce the dividend rate to as low as 1%, dependent upon growth in our

small business loan portfolio. This transaction provided the Bank with additional core capital that may be used to leverage future balance sheet growth. Finally, the conversion to the SBLF program allowed us to increase our cash dividend and reinstitute our stock dividend.

Our balance sheet increased from \$499.8 at the end of 2010 to \$523.4 million at the end of 2011, an increase of 5%. This balance sheet growth was driven by growth in our loan portfolios of \$36 million or 12%. Our residential mortgage portfolio increased by \$26 million or 15% with originations exceeding \$110 million and our commercial loan portfolio increased by \$14 million or 14% on the strength of \$27 million of loan originations. This asset growth was funded by an increase of \$25.1 million or 7% in deposits, highlighted by strong growth in our Steuben and Tompkins County branches.

We have remained diligent in monitoring our asset quality, net interest margin, and efficiency. Our asset quality has improved with a reduction in our delinquent loans to .18% of net loans and in our nonperforming loans to \$3.7 million. We continue to be mindful of our net interest margin by increasing our loan portfolio and reducing our lower yielding investment portfolio, in combination with replacing higher cost borrowings with deposits. Our efficiency ratio improved during 2011 to 60.18% from 60.78% in 2010.

The year 2011 was also highlighted by a significant upgrade of the Bank's technology infrastructure. During the year we

implemented a new telephone system that better leverages our data network, seamlessly connects the whole organization together, and provides features and benefits that were nonexistent with our previous system. We also reengineered the Bank's website and created a look and feel that is both useful and current. In addition, during the year we rolled out our mobile banking product, upgraded our voice response system, and entered the world of Facebook, all targeted at customers who desire the ultimate convenience.

As of December 31, 2011, the Bank had successfully accomplished the change in banking charters and primary regulators. For the last 28 years we had been a federally chartered savings bank regulated by the Office of the Comptroller of the Currency. As of December 31, 2011, we successfully converted to a New York State chartered savings bank with the New York State Division of Financial Services as our primary regulatory. This represented a return to our original bank charter and regulator under which we had operated from 1869 until 1983.

During the fourth quarter of 2011 and in the beginning of 2012, the Board of Directors was expanded by five members. Donald Quick, CPA, was added to the Board of Directors during late 2011, while Katherine Roehlke, President, F.M. Howell; Arie van den Blink, President, The Hilliard Corp.; Marianne Young, President, Market Street Trust; and Thomas M. Carr, EVP & COO of the Bank, were added to the Board in early 2012. The addition of these

business and community leaders expands the influence and technical skills of the Board while also providing future continuity at the Board level.

Finally, in November 2011, we entered into an agreement to purchase a branch office located at 971 County Route 64. This office is located on one of the most highly trafficked roads in our market. The facility is five years old and affords the convenience of multiple drive-thru lanes and ample parking. We opened the office for business on February 1, 2012 and will be relocating our Arnot Mall office customers to this facility during the second quarter of 2012. Under our New York State Bank Charter, we are allowed to invest in income-producing real estate. This property consists of a banking operation, as well as 7,000 square feet of income-producing real estate.

The year 2011 was a successful and eventful year at Elmira Savings Bank. We are excited about our future and look forward to sharing our successes with you. We appreciate your continued support.

Michael P Hony

Michael P. Hosey

President

Chief Executive Officer



Consolidated Balance Sheets

Elmira Savings Bank and Subsidiaries

Total shareholders' equity	64,615	56,451
Noncontrolling interest	52	52
Total Elmira Savings Bank shareholders' equity	64,563	56,399
Accumulated other comprehensive income	1,918	958
and December 31, 2010	(3,548)	(3,548)
Treasury stock, at cost - 125,865 shares at December 31, 2011		
Retained earnings	1,735	3,353
Additional paid-in capital	38,402	35,065
issued at December 31, 2011 and 2,089,995 at December 31, 2010	2,293	2,090
Common stock, \$1 par value; authorized 5,000,000 shares; 2,292,656 shares		
24,063 shares issued at December 31, 2011; 19,090 shares issued at December 31, 2010 net of discount of \$252	23,763	18,481
SHAREHOLDERS' EQUITY: Preferred stock, \$1,000 liquidation value per issued share; 5,000,000 shares authorized;		
Total liabilities	458,743	443,388
Other liabilities	6,995	5,674
Borrowings	70,019	81,093
Deposits	\$381,729	\$356,621
LIABILITIES AND SHAREHOLDERS' EQUITY		
Total assets	\$523,358	\$499,839
Other assets	3,112	3,565
Other real estate owned	202	541
Goodwill	12,320	12,320
Intangible assets, net	444	594
Accrued interest receivable	1,615	1,807
Premises and equipment, net Bank-owned life insurance	5,392 10,100	5,537 9,731
	·	·
Net Loans	342,683	307,036
Less: Allowance for loan losses	3,299	2,909
Loans receivable	345,982	309,945
Loans held for sale	2,842	532
Federal Home Loan Bank stock, at cost	5,295	4,241
at December 31, 2011, and \$5,346 at December 31, 2010	4,621	5,006
Securities available for sale, at fair value Securities held to maturity - fair value of \$4,923	86,536	126,212
Total cash and equivalents	48,196	22,717
Federal funds sold and other short-term investments	740	821
Cash and due from banks	\$ 47,456	\$ 21,896
ASSETS	2011	2010

Page 6 : Elmira Savings Bank : 2011 ANNUAL REPORT

Consolidated Statements of Income

Elmira Savings Bank and Subsidiaries

(in thousands, except for per share amounts)		Years	Ended December 31		
INTEREST AND DIVIDEND INCOME:	20	011	2010		2009
Interest and fees on loans	\$ 18,1	140	\$ 18,185	\$	19,842
Interest and dividends on securities	Ţ 10,1	1 10	7 10,103	7	12,012
Taxable	3 1	140	3,681		4,534
Non-taxable		320	822		765
Total interest and dividend income	22,1	00	22,688		25,141
INTEREST EXPENSE:					
Interest on deposits	3.8	350	4,564		6,075
Interest on borrowings		700	3,205		3,363
Total interest expense	6,5	550	7,769		9,438
Net interest income	15,5	550	14,919		15,703
Provision for loan losses		568	515		592
Net interest income after provision for loan losses	14,8	882	14,404		15,111
NONINTEREST INCOME:					
Service fees	1.2	236	1,409		1,606
Gain on sale of loans held for sale		336	1,450		1,693
Net gain on sale of securities	•	148	474		63
Other service fees		534	620		635
Earnings on bank-owned life insurance		369	353		378
Other		204	287		263
Total noninterest income	4,7	27	4,593		4,638
NONINTEREST EXPENSE:					
Salaries and benefits	6,4	191	6,007		6,544
Net occupancy	1,1	154	1,102		1,243
Equipment	8	354	924		988
Marketing and public relations	6	536	483		502
Professional fees	5	513	654		670
Regulatory assessments	4	162	574		899
Data processing	3	322	328		390
Telephone	2	244	220		204
Directors fees	2	200	212		218
Amortization of intangible assets	1	150	172		220
Printing and supplies		141	142		166
Postage	1	115	108		153
Other		920	933		873
Total noninterest expense	12,2	202	11,859		13,070
Income before income taxes	7,4	107	7,138		6,679
Income taxes		373	2,300		2,148
Net income	5,0)34	4,838	\$	4,531
Less: Net income attributable to noncontrolling interest		5	5		5
Net income attributable to Elmira Savings Bank	\$ 5,0)29	\$ 4,833	\$	4,526
Dividend on preferred stock	1,5	512	1,367		1,325
Accretion of preferred stock discount		252	84		85
Income available to common shareholders	\$ 3,2	265	\$ 3,382	\$	3,116
Basic earnings per common share		.52	\$ 1.59	\$	1.48
Diluted earnings per common share		.48	\$ 1.56	\$	1.45
Shacea carrings per common share	ا ب		Ý 1.50	Y	

Per share data has been restated to reflect a 10% stock dividend paid on December 28, 2011.

Elmira Savings Bank : **2011 ANNUAL REPORT** : Page 7

Consolidated Statement of Shareholders' Equity

Elmira Savings Bank and Subsidiaries

(in thousands, except for share and per share amounts)	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained earnings	Treasury Stock	Accumulated other comprehensive income	Noncontrolling Interest	Total
Balance at December 31, 2010	\$18,481	2,090	35,065	3,353	(3,548)	958	52	56,451
Comprehensive Income: Net unrealized gain on securities available for sale, net of reclassification adjustment,								
net of taxes of \$606	-	-	-	-	-	960	-	960
Net Income	-	-	-	5,029	-	-	5	5,034
Total Comprehensive Income								5,994
10% stock dividend (196,819 shares)	-	197	2,960	(3,157)	-	-	-	-
Cash in lieu of fractional shares resulting from a 10% stock dividend	-	-	-	(3)	-	-	-	(3)
Stock based compensation expense	-	-	360	-	-	-	-	360
Issuance of common shares (3,128 shares)	-	3	(3)	-	-	-	-	-
Exercise of stock options, net (2,714 shares)	-	3	20	-	-	-	-	23
Preferred stock redemption (9,090 shares)	(9,033)	-	-	(57)	-	-	-	(9,090)
Preferred stock issued, net of issuance costs (14,063 shares)	14,063	-	-	(50)	-	-	-	14,013
Accretion of discount on preferred stock	252	-	-	(252)	-	-	-	-
Cash dividend on preferred stock	-	-	-	(1,512)	-	-	(5)	(1,517)
Cash dividend on common stock (\$.75 per share)	-	-	-	(1,616)	-	-	-	(1,616)
Balance at December 31, 2011	\$23,763	2,293	38,402	1,735	(3,548)	1,918	52	64,615

Per share data has been restated to reflect the 10% stock dividend paid on December 28, 2011.

To the Board of Directors and Shareholders of Elmira Savings Bank and subsidiaries

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Elmira Savings Bank (the "Bank") and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, shareholders' equity, and cash flows (not presented herein); for each of the three years in the period ended December 31, 2011, and in our report dated March 13, 2012, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

A. A. Amolgun, A.C. Wexford, Pennsylvania

March 13, 2012

ELMIRA SAVINGS BANK BOARD OF DIRECTORS



John R. Alexander Corporate Secretary of the Board Sayles & Evans



John Brand, III Vice Chairman of the Board Arnot Realty Corporation



Anthony J. Cooper
President
Arnot Health



George L. Howell Chairman of the Board F.M. Howell & Company



A. Scott Welliver Chairman Chief Executive Officer Welliver McGuire, Inc.



Kristin A. Swain
President
Corning Incorporated Foundation



Michael P. Hosey President Chief Executive Officer Elmira Savings Bank



Donald G. Quick, Jr. *Retired Partner Mengel, Metzger, Barr & Co. LLP*



Thomas M. Carr Executive Vice President Chief Operating Officer Elmira Savings Bank



Ratherine H. Roehlke
President
Chief Executive Officer
F.M. Howell & Company



Arie J. van den Blink Chairman Chief Executive Officer The Hilliard Corporation



Marianne W. Young
President
Market Street Trust Company



Elmira Savings Bank : 2011 ANNUAL REPORT : Page 9

ELMIRA SAVINGS BANK OFFICERS

EXECUTIVE Michael P. Hosey

President Chief Executive Officer

Thomas M. Carr

Executive Vice President Chief Operating Officer

Shirley A. Weigand

Assistant Secretary

AUDIT AND CONTROL

Edith B. Keebler

Assistant Treasurer

Jill M. McConnell

Assistant Secretary

FINANCE

Jason T. Sanford

Senior Vice President Chief Financial Officer

Keith A. Martin

Vice President Controller

John J. Stempin

Assistant Secretary

HUMAN RESOURCES

Bradley V. Serva

Vice President

LENDING

Kevin J. Berkley

Senior Vice President

Gary O. Short

Senior Vice President

Tamara S. Pabis

Vice President

Susan M. Cook

Assistant Vice President

Jennifer M. Murphy

Assistant Secretary

Carrie L. Spencer

Assistant Secretary

Amy Ward

Assistant Treasurer

MANAGEMENT INFORMATION SYSTEMS

Joseph L. Walker

Vice President

Phillip J. Collins

Assistant Vice President

OPERATIONS

Margaret A. Phillips

Vice President

Frank P. Spena, Jr.

Assistant Secretary

RETAIL SERVICES

Donna J. Tangorre

Vice President

Deborah L. Adams

Assistant Vice President

Kimberly A. Elliott

Assistant Vice President

Janette Allen

Assistant Treasurer

Ashley A. Case

Assistant Treasurer

Patricia L. Cobb

Assistant Treasurer

Theresa A. Emo

Assistant Treasurer

Lorenda D. Gneo

Assistant Treasurer

Phylis A. Jensen

Assistant Treasurer

Debra S. Knowles

Assistant Treasurer

Sara J. Meisner

Assistant Treasurer

ADVISORY SERVICES, INC.

Vincent Mazzarella

Vice President

MARKET PRICE INFORMATION

The bank's common stock was first offered in March 1985, and is now listed on the NASDAQ exchange under the symbol ESBK. The table below summarizes the high and low market price for the bank's stock during 2011 and 2010.

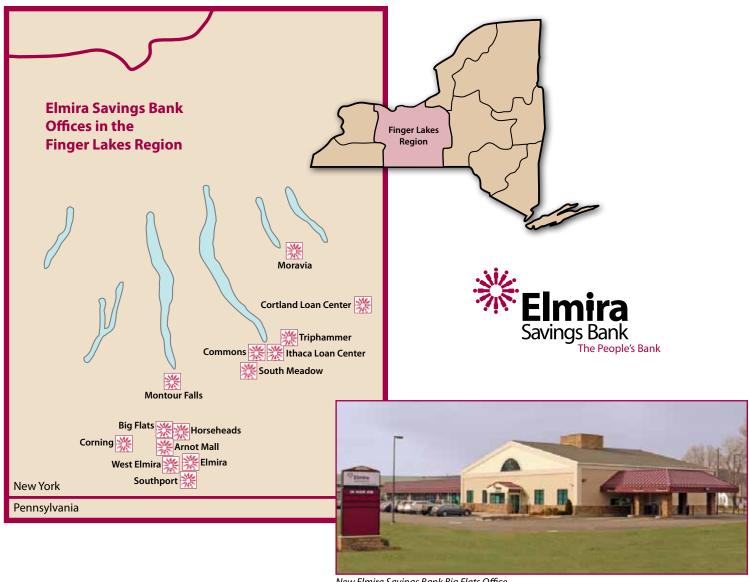
Quarters	2011		2010		
	High	Low	High	Low	
First	16.82	15.08	15.64	13.28	
Second	15.68	12.86	15.64	13.53	
Third	16.05	11.95	15.45	13.77	
Fourth	17.00	13.70	16.82	13.94	

ANNUAL SHAREHOLDERS' MEETING

The Annual Shareholders' Meeting will be held at 10 a.m. on April 24, 2012 at the Clemens Center 207 Clemens Center Parkway Elmira, NY

SHAREHOLDER INOUIRIES

The bank's transfer agent is: Registrar and Transfer Company 10 Commerce Drive Cranford, NJ 07016 (800) 525-7686



New Elmira Savings Bank Big Flats Office

CORNING OFFICE

19 East Market Street, Suite 101

Corning, NY 14830

607-962-0812

ITHACA LOAN CENTER

301 East State Street

Ithaca, NY 14850

607-257-3584

COMMONS OFFICE

301 East State Street

Ithaca, NY 14850

607-272-1111

MAIN OFFICE

333 East Water Street Elmira, NY 14902-9967 607-734-3374

WEST ELMIRA OFFICE

930 West Church Street Elmira, NY 14905 607-734-3374

SOUTHPORT OFFICE

1136 Pennsylvania Avenue Elmira, NY 14904

607-734-3374

*ATM available at all locations except for the Montour Falls Office and Cortland Loan Center.

**At the close of business on May 4, 2012 the Arnot Mall Office will be relocated to the Big Flats Office at 971 County Route 64, Big Flats, NY.

HORSEHEADS OFFICE

2149 Grand Central Avenue Horseheads, NY 14845 607-734-3374

ARNOT MALL OFFICE**

Entrance 4 - Center Court Horseheads, NY 14845 607-734-3374

BIG FLATS OFFICE

971 County Route 64 Big Flats, NY 14841 607-739-2180

SOUTH MEADOW OFFICE

702 South Meadow Street Ithaca, NY 14850 607-272-2211

TRIPHAMMER OFFICE

2300 North Triphammer Road Ithaca, NY 14850 607-257-8808

MORAVIA OFFICE

142 Main Street Moravia, NY 13118 315-497-1300

MONTOUR FALLS OFFICE*

401 West Main Street, Suite 110 Montour Falls, NY 14865 607-535-4026

CORTLAND LOAN CENTER*

77 South West Street Homer, NY 13077 607-749-7251

Elmira Savings Bank : 2011 ANNUAL REPORT : Page 11



www.elmirasavingsbank.com

Member FDIC | Equal Housing Lender