

# The Advisor

August 2016

A Newsletter for Elmira Savings Bank Shareholders, Customers and Community

Vol. 6 No. 4

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Welcome New ESB Employees  
Promotions

## Calendar of Events

### Corning Harvest Music Festival

Gaffer District  
September 16-17

### Octagon Fair – Elmira College

October 8  
10:00 a.m.-3:00 p.m.

### SCT Corning Counselors College Info Day

Arnot Mall  
October 20

### Finger Lakes Beer Festival

Watkins Glen International  
October 22  
12:00 p.m.-5:00 p.m.

### Notre Dame Turkey Day 5K

Notre Dame High School  
Elmira  
November 24

### Downtown Holiday Parade

Elmira  
November 25

### Parade of Lights

Corning  
November 27

### Village Christmas Parade

Watkins Glen  
December 2

### Crystal City Sparkle

Corning  
December 3  
5:00 p.m.-9:00 p.m.



**Elmira**  
Savings Bank

Member  
FDIC



## President's Message



*Thomas M. Carr  
President,  
Chief Executive Officer*

On July 7, 2016 New York State awarded the City of Elmira with a \$10 million grant to revitalize its downtown. This grant was awarded through Governor Cuomo's Downtown Revitalization Initiative which awarded 10 towns and cities \$10 million. Elmira was one of 10 winners from approximately 100 applicants.

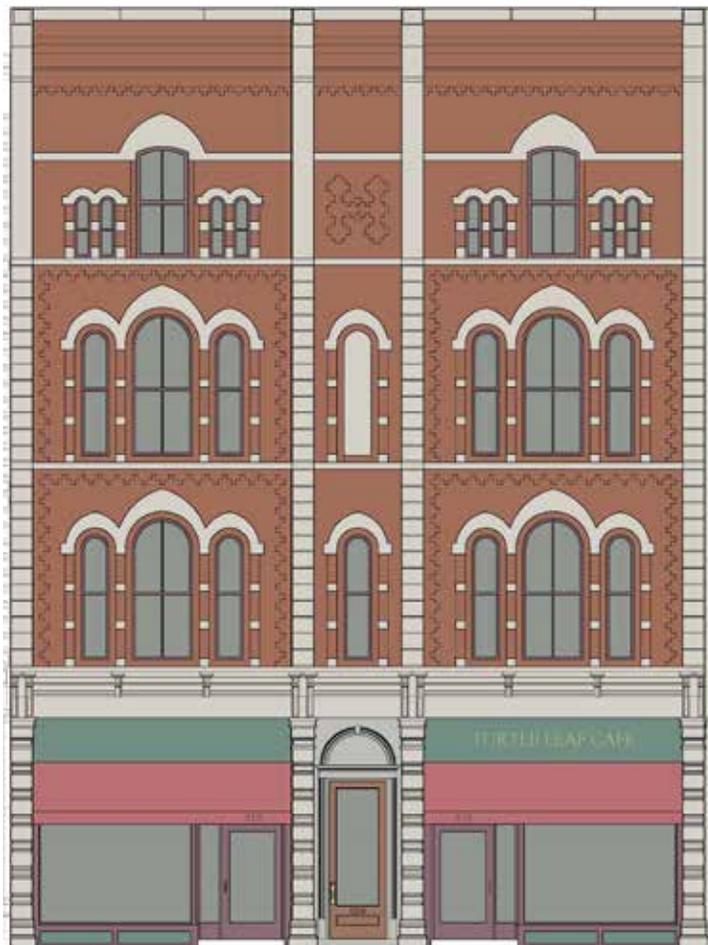
Elmira's plan to reinvigorate the city focuses on giving new life to a 500 acre area in the heart of the downtown. The plan included adding new housing and commercial space in the city and rehabilitating rundown buildings throughout the city.

The assistance provided to Elmira under the Downtown Revitalization Initiative in concert with the Upstate Revitalization Initiative Award announced in 2015 will provide an economic platform that will assist in rejuvenating the City of Elmira.

In support of the economic development opportunities provided to the City of Elmira, Elmira Savings Bank has developed a plan to rehabilitate two historic downtown buildings that are adjacent to our Bank Headquarters on Water Street. The project would renovate the buildings located at 313 and 315 East Water Street into residential apartments on the upper floors and modern retail space on the first floor at street level.

### Rendering of MacGreevey Building

313-315 East  
Water Street  
Elmira, NY



## Elmira Savings Bank Reports Second Quarter Earnings

### Highlights

- Net income was \$1,057,000 and \$2,093,000 for the three and six months ended June 30, 2016 compared to \$1,019,000 and \$2,029,000 for the same periods in 2015.
- Diluted earnings per share were \$.30 per share and \$.60 per share for the three and six months ended June 30, 2016 compared to \$.29 per share and \$.57 per share for the same periods in 2015.
- Return on average assets was .75% for both the three and six months ended June 30, 2016 compared to .72% and .73% for the same periods in 2015.
- Return on average equity was 7.65% and 7.58% for the three and six months ended June 30, 2016 compared to 7.39% and 7.34% for the same periods in 2015.

"During the first six months of 2016, the Bank experienced 4% growth in the loan portfolio and deposit growth of 7%," said Thomas M. Carr, President and CEO. Carr continued, "In addition, we have increased our noninterest income by 13% and expanded our net interest income by 6%."

### Net Income

Net income totaled \$2,093,000 for the six months ended June 30, 2016, an increase of \$64,000 or 3% from the \$2,029,000 of net income recorded for the same period in 2015. This increase was the net result of an increase in noninterest income of \$319,000 and an increase in net interest income of \$500,000, offset by an increase in noninterest expense of \$647,000, an increase in the provision for loan losses of \$35,000, and an increase in tax expense of \$73,000.

Net income totaled \$1,057,000 for the three months ended June 30, 2016, an increase of \$38,000 or 4% from the \$1,019,000 recorded for the same period in 2015. This increase was the net result of an increase in noninterest income of \$203,000, a decrease in the provision for loan losses of \$55,000, and an increase in net interest income of \$225,000, offset by an increase in noninterest expense of \$369,000 and an increase in tax expense of \$76,000.

Basic and diluted earnings per share for the six months ended June 30, 2016 were both \$.60 per share compared to \$.58 per share and \$.57 per share compared to \$.58 per share and \$.57 per share.

See **Second Quarter** on Page 3

### Elmira Savings Bank CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)

(in thousands, except for share and per share data)	June 30, 2016	December 31, 2015
<b>ASSETS</b>		
Cash and equivalents	\$ 10,824	\$ 5,454
Investments	53,688	62,820
Net loans	467,977	450,850
Premises and equipment, net	12,143	12,130
Other assets	30,089	30,090
Total assets	<u>\$ 574,721</u>	<u>\$ 561,344</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits	\$ 470,462	\$ 440,472
Borrowings	42,000	59,525
Other liabilities	6,877	6,576
Total liabilities	<u>519,339</u>	<u>506,573</u>
Shareholders' equity	<u>55,382</u>	<u>54,771</u>
Total liabilities and shareholders' equity	<u>\$ 574,721</u>	<u>\$ 561,344</u>

### Elmira Savings Bank CONSOLIDATED STATEMENT OF INCOME (Unaudited)

(in thousands, except for per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Interest and dividend income	\$ 5,191	\$ 5,133	\$ 10,424	\$ 10,228
Interest expense	1,137	1,304	2,270	2,574
Net interest income	<u>4,054</u>	<u>3,829</u>	<u>8,154</u>	<u>7,654</u>
Provision for loan losses	85	140	225	190
Net interest income after provision for loan losses	<u>3,969</u>	<u>3,689</u>	<u>7,929</u>	<u>7,464</u>
Noninterest income	1,438	1,235	2,789	2,470
Noninterest expense	<u>3,891</u>	<u>3,522</u>	<u>7,738</u>	<u>7,091</u>
Income before income taxes	1,516	1,402	2,980	2,843
Income taxes	459	383	887	814
Net income	<u>1,057</u>	<u>1,019</u>	<u>2,093</u>	<u>2,029</u>
Dividend on preferred stock	225	225	450	450
Income available to common shareholders	<u>\$ 832</u>	<u>\$ 794</u>	<u>\$ 1,643</u>	<u>\$ 1,579</u>
Basic earnings per share	<u>\$ 0.31</u>	<u>\$ 0.29</u>	<u>\$ 0.60</u>	<u>\$ 0.58</u>
Diluted earnings per share	<u>\$ 0.30</u>	<u>\$ 0.29</u>	<u>\$ 0.60</u>	<u>\$ 0.57</u>
Cash dividends per share	<u>\$ 0.23</u>	<u>\$ 0.23</u>	<u>\$ 0.46</u>	<u>\$ 0.46</u>

## Second Quarter

(Continued from Page 2)

per share for the same period in 2015. Basic and diluted earnings per share for the three months ended June 30, 2016 were \$.31 per share and \$.30 per share compared to \$.29 per share for both for the same period in 2015.

### Net Interest Margin

The net interest margin for the six months ended June 30, 2016 was 3.18% compared to 3.05% for the same period in 2015. The yield on average earning assets was 4.07% for the six months ended June 30, 2016 compared to 4.08% for the same period in 2015. The average cost of interest-bearing liabilities was 1.04% for the six months ended June 30, 2016 compared to 1.19% for the same period in 2015.

The net interest margin for the three months ended June 30, 2016 was 3.17% compared to 3.04% for the same period in 2015. The average yield on earning assets was 4.06% for the three months ended June 30, 2016 compared to 4.07% for the same period in 2015. The average cost of interest-bearing liabilities was 1.04% for the three months ended June 30, 2016 compared to 1.19% for the same period in 2015.

### Assets

Total assets increased \$13.4 million or 2.4% to \$574.7 million at June 30, 2016 compared to \$561.3 million at December 31, 2015. Loans, including loans held for sale, increased 3.8% to \$472.3 million at June 30, 2016 compared to December 31, 2015. The available-for-sale investment portfolio decreased \$8.4 million from December 31, 2015 to June 30, 2016.

### Nonperforming Loans

Our nonperforming loans to total loans ratio has increased to 1.15% at June 30, 2016 from 1.05% at December 31, 2015. Net loan charge-offs to average loans for the six months ended June 30, 2016 of 0.04% decreased from 0.06% for the six months ended June 30, 2015. The allowance for loan losses was 0.92% of total loans at both June 30, 2016 and December 31, 2015.

### Liabilities

Deposits total \$470.5 million at June 30, 2016, an increase of \$30.0 million or 6.8%. The \$30.0 million increase consists of a \$34.8 million increase in interest bearing transaction accounts, a \$3.8 million increase in noninterest-bearing accounts, a \$2.2 million increase in savings accounts, and a \$1.8 million increase in money market accounts, partially offset by a \$12.7 million decrease in time deposits. Borrowed funds decreased by \$17.5 million or 29.4%.

### Shareholders' Equity

Shareholders' equity increased \$0.6 million to \$55.4 million at June 30, 2016 compared to December 31, 2015. The current level of shareholders' equity equates to a book value per share of \$16.69 at June 30, 2016, compared to \$16.53 at December 31, 2015. Dividends paid to common shareholders were \$0.23 and \$0.46 for the three and six months ended for both June 30, 2016 and 2015.

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## Shareholder Inquiries

### The Bank's transfer agent is:

Computershare, Inc. • Computershare Investor Services  
P.O. Box 30170, College Station, TX 77842 • 800-368-5948

### The Bank's annual and quarterly reports, 10-K, and 10-Q will be furnished without charge upon written request to:

Thomas M. Carr, President/CEO  
Elmira Savings Bank • 333 E. Water Street, Elmira, NY 14901

The brokers currently making a market in the Bank's common stock are:  
Citadel Securities • UBS Securities • Knight Equity Markets • Boenning & Scattergood



## Colonial Days Parade

Elmira Savings Bank participated in the 53rd Annual Colonial Days event held on June 11, 2016 in Painted Post, NY. Bank employees built a parade float to reflect the First Annual Cornhole Tournament, for which Elmira Savings Bank hosted.

Cornhole is a lawn game where players take turns throwing bags of corn (or bean bags) at a raised platform with a hole in the far end. A bag in the hole scores three points, while one on the platform scores one point. The Cornhole Tournament had 15 teams participate and raised \$400 to help support this tournament as well as future Colonial Days events. The winners each received a customized set of Cornhole boards.

Other activities at the Colonial Days event included the Miss Colonial Days Pageant, a rib eating contest, and a chicken BBQ.



## Elmira Elks College Fair

Elmira Savings Bank sponsored and participated in the sixth annual Elmira Elks Lodge College Fair on Wednesday, May 25. Main Office staff Kim Elliott, Kelly Ewanyk, Laura Ingle, and Amy Allhouse represented the bank and spent their evening assisting local students and their parents plan for the future. Approximately 300 people attended this event which provided 40 in and out of state colleges for students and parents to consider for their college educations. The Elmira Elks Lodge plans to hold this event again next year at their 300 E. Gray St, Elmira location.

## 14th Annual Habitat "Fore" Humanity Golf Tournament

Elmira Savings Bank was proud to sponsor the Elmira-Corning Regional Association of Realtor's 14th Annual Habitat "Fore" Humanity Golf Tournament, on Friday June 10, 2016 at Willowcreek Golf Club in Big Flats. ESB employees Jason Sorochinsky, Aimee Barton, and Kathleen Bange participated in the event as part of two golf teams, while Christine Snyder assisted with setup, raffle tickets, and hole-in-one judging. The Tournament raised \$21,428, and all proceeds were donated to the Chemung and Southeastern Steuben County Chapters of Habitat.

## Walk to the Branches Challenge

The Bank's Activities Committee recently developed a walking/running activity for Bank employees interested in increasing their physical activity. By using step-tracking devices, employees were able to monitor and record the number of steps taken throughout their days. A majority of Elmira Savings Bank employees participated in the "Walk to the Branches Challenge" which kicked off on May 15, 2016 in conjunction with the Susan G. Komen Race for the Cure event in Elmira.

Employees were encouraged to walk a loop which encompassed all of our branch locations, a total of 102.2 miles, or 219,730 steps, over the course of 31 days. Participation was overwhelming and final results indicated that 80% of participants walked 102 miles or more. To continue the great fitness mentality and to further encourage healthy habits, a new challenge will be starting soon to inspire employees to keep on stepping.

## Home Buyer's Seminar

Elmira Savings Bank participated in a Home Buyer's free seminar held at Keller Williams Realty Southern Tier & Finger Lakes located at 971 County Route 64, Elmira on Thursday, April 28. The seminar included several guest speakers from the mortgage industry, including Michael Terwilliger from Keller Williams Realty, John Maloney from Keyser, Maloney, and Winner Law Firm, and Tim McInerney from Wahl Home Inspection. Elmira Savings Bank mortgage originators Kathleen Bange and Aimee Barton presented mortgage loan product information to approximately two dozen prospective home buyers. Within their presentation, Kathleen and Aimee detailed the complete mortgage loan process, from loan pre-approval to the mortgage loan closing, to help educate and enlighten future home buyers.



## Susan G. Komen Race for the Cure Twin Tiers Region

Elmira Savings Bank organized a team to participate in this year's Twin Tiers Region of the Susan G. Komen Race for the Cure on Sunday, May 17. The Race is a 5-K course through downtown Elmira that welcomes both runners and walkers. It was estimated that approximately 3,000 people participated.

The Bank's team, Bankers for a Cure, consisted of 18 employees and their families. It was an unusually brisk day, but everyone showed up with smiles and ready to race! Our team included runners, walkers, and one little "munchkin."

Christine Iles, Elmira Heights Branch Manager and Team Captain, said, "It is wonderful to see so many people come together for such a worthwhile cause. It's also uplifting and humbling at the same time to see a broad cross-section of individuals participate, particularly those wearing "SURVIVOR" t-shirts." Our team raised \$837 and the Bank generously matched that amount. We are eagerly anticipating an even larger team with more donations for this amazing cause for next year.

## Debit MasterCard Conversion

Elmira Savings Bank issued new debit MasterCards to all debit cardholders at the end of June. Each of these new cards feature an EMV chip, the latest technology available in debit card security, helping to make transactions at retailers, restaurants and ATMs more secure. The chip cards are quickly becoming an industry standard among banks and credit card issuers around the world.

Going forward, every debit card issued by Elmira Savings Bank will be under the MasterCard Network and will include the EMV chip. All cardholders can enjoy the benefits of the well-established MasterCard network, providing convenience for easy shopping and the protection offered by MasterCard.

All Elmira Savings Bank cardholders can enjoy:

- ESB Fraud Protection – An automatic benefit included with every card, enjoy the comfort of knowing transactions on your card are being reviewed 24 hours a

day, 365 days a year to identify potential suspect purchases as they occur. Should a suspicious transaction occur, you will be contacted by text message, phone call or email to ensure the purchase is valid.

- MasterCard SecureCode – Sign up today to take advantage of extra security with the purchases you make through online merchants.
- Surcharge free access to more than 50,000 ATMs around the world through the Allpoint & SUM networks. Easily locate the closest participating ATM by downloading the Allpoint and SUM Apps.

Visit the Electronic Services tab of our website for additional information on these services and more.

For additional information on our debit cards or any of the products or services we offer, please call (607) 734-3374 or visit any of our branch locations.

## Leadership Steuben Graduate

Cory Eddy, Erwin Branch Manager, graduated from the Leadership Steuben Program on June 1, 2016. The Leadership Steuben Program, which was recently relaunched, is sponsored by the Corning-Area Chamber of Commerce and Corning Community College. Participants are identified by their organization as having the potential qualities required for future leadership roles. Over the course of the five-month program, participants attend 10 sessions where they develop partnering and team building, presentation, communication, as well as strategic and tactical planning skills. The program encourages participants to be interested and active members within the communities they live/work, in addition to providing the necessary skill-sets needed to become strong leaders in their professional and personal lives. Congratulations Cory!

## Leadership Tompkins Graduate

Kelly Bishop, Customer Service Representative at the Triphammer Branch, was one of 23 participants who graduated from the Leadership Tompkins Program in a ceremony held on June 16, 2016 at Coltivare Culinary Center in Ithaca. The Leadership Tompkins Program seeks participants who have demonstrated the potential for future leadership roles, are looking to develop their leadership and networking skills, in addition to having an interest in, and learning more about, the social issues facing Tompkins County. Kelly spent 10 months actively engaged in the Leadership Tompkins Program, which helped prepare her for non-profit board service and volunteer leadership roles within Tompkins County. She learned a great deal about the communities which make up Tompkins County, and as a result has become an active member in the Groton Fire Department as a volunteer firefighter. Congratulations Kelly!

## Keller Williams Realty Greater Binghamton

Elmira Savings Bank helped celebrate the grand opening of Keller Williams Realty Greater Binghamton on Thursday, May 12. Over 200 guests attended the open house event held at their new location at 21 S. Washington Street, Binghamton. Elmira Savings Bank congratulates Keller Williams Realty Greater Binghamton on the opening of their new office location.

## Welcome New Elmira Savings Bank Employees

- Trisha Luchaco** – Underwriter, Credit Department
- Steven Reed** – Collector, Collections Department
- Denise Bobkowski** – Teller, Horseheads Branch
- Susan Campbell** – Mortgage Originator, Mortgage Department

## Congratulations to the Following Employees for Their Promotions

- Andrea Devon** – Officer, Assistant Treasurer, Advisory Services
- Jenna Wilson** – Accounting Representative

### Employee Recipe Corner

#### Apple Salad

- 6-7 apples (diced)
- 1 big tub of Cool Whip
- 1 Small can crushed Pineapple (drained)
- 6 regular-sized Snickers Bars (diced)
- Mix diced apples with drained pineapple (this keeps the apples from turning brown!)
- Add Cool Whip and Snickers, mix well.
- Refrigerate prior to serving, then enjoy!

By Debbie Adams, Branch Manager, Horseheads Office

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#### Elmira Savings Bank

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