

The Advisor

November 2016

A Newsletter for Elmira Savings Bank Shareholders, Customers and Community

Vol. 7 No. 1

IN THIS ISSUE

2-3

ESB Posts Earnings

4-5

ESB News

6

Welcome New ESB Employees Promotions

Calendar of Events

Notre Dame Turkey Day 5k

Notre Dame High School
Elmira
November 24
9 a.m.

Downtown Holiday Parade

Elmira
November 25
10 a.m.

Parade of Lights

Corning
November 27
4:30 p.m.

Village Christmas Parade

Watkins Glen
December 2
5:00 p.m. - 8 p.m.

Crystal City Sparkle

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

Town of Southport Christmas Parade

Southport
4:00 p.m. - 6:00 p.m.



Elmira
Savings Bank

Member
FDIC



President's Message

I have been asked over the last several days by customers and employees what potential impact the outcome of the election may have on the Bank. To answer this question, it is important to understand that since the economic downturn in 2008 the community banking industry has faced two major headwinds.

First, the interest rate environment has been at historically low levels for a prolonged period of time. The effect of this environment has been to cause net interest margin compression across the industry. Net interest income is the largest source of revenue for community banks. The reduction of this revenue source has been a primary concern for the industry.

The second major headwind that the community banking industry has had to manage during the last six years has been the increasing burden of consumer compliance. The crisis that affected the national economy in 2008 had its roots in the mortgage industry and the imprudent practices undertaken by Wall Street and banks too big to fail. The fallout of this crisis was increased regulation in the mortgage industry saddling those engaged, and those not engaged, in risky practices. In order to comply with this additional regulation, significant resources have had to be expended.

The impact of these two issues, margin compression and consumer compliance,



Thomas M. Carr
President,
Chief Executive Officer

results in pressure on bank earnings, reducing our net income available to shareholders.

Since the election many bank trade groups, including the Independent Community Bankers of America and the New York Bankers Association, have issued statements predicting regulatory relief for the community banking sector from the incoming Presidential Administration. Specifically, they point to an existing bill referred to as the "Financial Choices Act" crafted by Texas Republican Jeb Hensarling, the Chairman of the House Financial Services Committee.

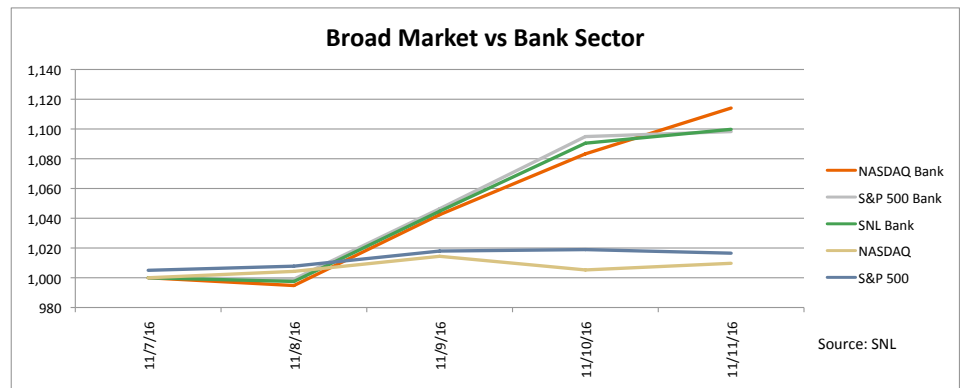
In addition, the U.S. Treasury rate has increased by approximately 35 basis points since the election to 2.20% as of November 14, an increase of 19%. This has been the result of

"... bank stocks have rallied since the election. . . Further evidence of investors' perception of what the impact will be for banks."

a selloff in the bond market as investors expect the change in administration to effect Federal Reserve Bank Policy leading to further rate increases in the future.

Finally, bank stocks have rallied since the election as displayed in the accompanying graph. This increase in value of the bank index funds of approximately 10% is further evidence of investors' perception of what the impact will be for banks.

Although it remains to be seen, we have renewed optimism, based on the election results, that there may be light at the end of the tunnel in the form of a normalized interest rate environment and a reduction of regulatory burden.



Elmira Savings Bank Reports Third Quarter Earnings

Highlights

- Net income was \$1,202,000 and \$3,295,000 for the three and nine months ended September 30, 2016 compared to \$1,057,000 and \$3,086,000 for the same periods in 2015.
- Diluted earnings per share were \$.36 per share and \$.96 per share for the three and nine months ended September 30, 2016 compared to \$.30 per share and \$.87 per share for the same periods in 2015.
- Return on average assets was .84% and .78% for the three and nine months ended September 30, 2016 compared to .73% for both the same periods in 2015.
- Return on average equity was 8.54% and 7.89% for the three and nine months ended September 30, 2016 compared to 7.60% and 7.43% for the same periods in 2015.

"We are pleased with the increase in core earnings, supported by strong loan origination volume and deposit growth," said Thomas M. Carr, President and CEO. Carr continued, "Year over year through nine months, we have increased our noninterest income by 12%, our net interest income by 8%, and have expanded our net interest margin by 6%."

Net Income

Net income totaled \$3,295,000 for the nine months ended September 30, 2016, an increase of \$209,000 or 7% from the \$3,086,000 of net income recorded for the same period in 2015. This increase was the net result of an increase in noninterest income of \$496,000, an increase in net interest income of \$859,000, and a decrease in the provision for loan losses of \$48,000, offset by an increase in noninterest expense of \$898,000 and an increase in tax expense of \$296,000.

Net income totaled \$1,202,000 for the three months ended September 30, 2016, an increase of \$145,000 or 14% from the \$1,057,000 recorded for the same period in 2015. This increase was the net result of an increase in noninterest income of \$177,000, a decrease in the provision for loan losses of \$83,000, and an increase in net interest income of \$359,000, offset by an increase in noninterest expense of \$251,000 and an increase in tax expense of \$223,000.

Basic and diluted earnings per share for the nine months ended September 30, 2016 were both \$.96 per share compared to \$.89 per

See **Third Quarter** on Page 3

Elmira Savings Bank CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)

(in thousands, except for share and per share data)	September 30, 2016	December 31, 2015
ASSETS		
Cash and equivalents	\$ 11,594	\$5,454
Investments	53,811	62,820
Net loans	459,736	450,850
Premises and equipment, net	12,166	12,130
Other assets	30,143	30,090
Total assets	<u>\$ 567,450</u>	<u>\$ 561,344</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	\$ 463,414	\$ 440,472
Borrowings	42,000	59,525
Other liabilities	6,244	6,576
Total liabilities	<u>511,658</u>	<u>506,573</u>
Shareholders' equity	<u>55,792</u>	<u>54,771</u>
Total liabilities and shareholders' equity	<u>\$ 567,450</u>	<u>\$ 561,344</u>

Elmira Savings Bank CONSOLIDATED STATEMENT OF INCOME (Unaudited)

(in thousands, except for per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest and dividend income	\$ 5,266	\$ 5,200	\$ 15,690	\$ 15,428
Interest expense	1,055	1,348	3,325	3,922
Net interest income	4,211	3,852	12,365	11,506
Provision for loan losses	87	170	312	360
Net interest income after provision for loan losses	4,124	3,682	12,053	11,146
Noninterest income	1,716	1,539	4,505	4,009
Noninterest expense	3,976	3,725	11,714	10,816
Income before income taxes	1,864	1,496	4,844	4,339
Income taxes	662	439	1,549	1,253
Net income	1,202	1,057	3,295	3,086
Dividend on preferred stock	225	225	675	675
Income available to common shareholders	<u>\$ 977</u>	<u>\$ 832</u>	<u>\$ 2,620</u>	<u>\$ 2,411</u>
Basic earnings per share	<u>\$ 0.36</u>	<u>\$ 0.31</u>	<u>\$ 0.96</u>	<u>\$ 0.89</u>
Diluted earnings per share	<u>\$ 0.36</u>	<u>\$ 0.30</u>	<u>\$ 0.96</u>	<u>\$ 0.87</u>
Cash dividends per share	<u>\$ 0.23</u>	<u>\$ 0.23</u>	<u>\$ 0.69</u>	<u>\$ 0.69</u>

Third Quarter

(Continued from Page 2)

share and \$.87 per share for the same period in 2015. Basic and diluted earnings per share for the three months ended September 30, 2016 were both \$.36 per share compared to \$.31 per share and \$.30 per share for the same period in 2015.

Net Interest Margin

The net interest margin for the nine months ended September 30, 2016 was 3.20% compared to 3.03% for the same period in 2015. The yield on average earning assets was 4.06% for the nine months ended September 30, 2016 compared to 4.05% for the same period in 2015. The average cost of interest-bearing liabilities was 1.01% for the nine months ended September 30, 2016 compared to 1.19% for the same period in 2015.

The net interest margin for the three months ended September 30, 2016 was 3.24% compared to 2.97% for the same period in 2015. The average yield on earning assets was 4.04% for the three months ended September 30, 2016 compared to 4.00% for the same period in 2015. The average cost of interest-

bearing liabilities was 0.96% for the three months ended September 30, 2016 compared to 1.20% for the same period in 2015.

Assets

Total assets increased \$6.1 million or 1.1% to \$567.5 million at September 30, 2016 compared to \$561.3 million at December 31, 2015. Loans, including loans held for sale, increased 1.9% to \$464.1 million at September 30, 2016 compared to December 31, 2015. The available-for-sale investment portfolio decreased \$7.5 million from December 31, 2015 to September 30, 2016.

Nonperforming Loans

Our nonperforming loans to total loans ratio has increased to 1.12% at September 30, 2016 from 1.05% at December 31, 2015. Net loan charge-offs to average loans for the nine months ended September 30, 2016 of 0.04% decreased from 0.08% for the nine months ended September 30, 2015. The allowance for loan losses was 0.94% of total loans at September 30, 2016 and 0.92% of total loans at December 31, 2015.

Liabilities

Deposits total \$463.4 million at September 30, 2016, an increase of \$22.9 million or 5.2%. The \$22.9 million increase consists of a \$13.7 million increase in time deposits, a \$5.1 million increase in noninterest-bearing accounts, a \$2.1 million increase in savings accounts, and a \$2.3 million increase in money market accounts, partially offset by a \$296,000 decrease in interest bearing transaction accounts. Borrowed funds decreased by \$17.5 million or 29.4%.

Shareholders' Equity

Shareholders' equity increased \$1.0 million to \$55.8 million at September 30, 2016 compared to December 31, 2015. The current level of shareholders' equity equates to a book value per share of \$16.80 at September 30, 2016, compared to \$16.53 at December 31, 2015. Dividends paid to common shareholders were \$0.23 and \$0.69 for the three and nine months ended for both September 30, 2016 and 2015.

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



*Brad Serva
Senior Vice President
Human Resources Officer*

Brad Serva Promotion

Brad Serva has been promoted to Senior Vice President, Human Resources Officer. Brad joined Elmira Savings Bank in 2003 and has successfully transformed the bank's human resource function by implementing automated timekeeping, maintaining and developing our salary administration system, overseeing the implementation of a formal training system, and providing oversight for all our bank activities. Brad has a Bachelor of Science Degree in Industrial Training and Development from SUNY Oswego and an Associate's Degree in Math and Science from Corning Community College. He also served our country as a Tactical Aircraft Maintenance Specialist in the United States Air Force. Prior to joining the bank Brad gained experience working at GTE, Kellogg's, and Corning, Inc.

Cornell Banks on Campus

Elmira Savings Bank participated in Cornell University's Banks on Campus event, held on August 19 and 20. Employees staffed a tent and table where they spoke with students and their parents about our local community banking options. Participation in this event promotes awareness of our presence within the Ithaca area and brings attention to the banking options we have available for students and parents. Many thanks to Renée Wheeler, Theresa Emo, Kelly Bishop, Jenn Orr, Courtney Reinhart, and Cherry Merrill for representing Elmira Savings Bank at this event.



Corning Branch Celebrates Anniversary

September 18, 2016 marked the ten year anniversary for the opening of our Corning Branch. During the week leading up to the anniversary date, Corning staff provided donuts and apples in-branch to customers as tokens of appreciation for their continued and loyal relationships. Rate specials were also available to customers who opened new accounts during the week-long celebration. To finish the week, customers were offered cake as well as the opportunity to win a Gift Card Tree, which included gift cards to many local businesses. Congratulations Corning Branch!



New Ithaca Branch Location – Update

Construction is underway at our new branch building located at 602 W. State Street, Ithaca. This new branch will provide a full array of personal and business products and services to consumers in Ithaca and the surrounding communities. We look forward to serving the Ithaca area in our future location and continuing to forge strong customer and business relationships throughout the Tompkins County market.

Passcode and Touch ID™ Features Now Available

Passcode and Touch ID™ features are now available to customers when signing in to our Mobile Banking App, which makes accessing account information faster and easier than before. All smartphone devices may enable Passcode, while Touch ID™ is only available to iPhone5 and newer devices. These features allow safe and secure access to account information without the need for full password authentication. Once enabled, the Passcode option allows customers to set a six-digit code to use when signing in. The Touch ID™ option utilizes biometric technology by capturing the user's fingerprint for use during authentication. For more information on our Mobile Banking App, or for assistance with enabling Passcode or Touch ID™, visit our website at <https://www.elmirasavingsbank.com/ElectronicServices/MobileBanking.aspx>.

Fillmore Glen Auto Show

Moravia Branch employees staffed a table at the 40th Annual Fillmore Glen Auto Show on Sunday, September 4. Chrissy Allen and Jenn Orr handed out giveaways and spoke with individuals from in and around the Moravia area. Customers from our South Meadow, Corning, and Watkins Glen branches stopped by the table to say hello and converse with staff. The Fillmore Glen Auto Show hosted over 500 vehicles with vendors spread throughout the Glen. Elmira Savings Bank was proud to sponsor the Nationals Winners Plaques presented to the owners of showcase cars on display at the auto show.



ESB Service Awards

The bank held its Annual Employee meeting on September 14 at the Watkins Glen Race Track. During the meeting, important bank information is communicated to employees and employees are recognized for reaching specific years-of-service milestones. We are honored to recognize the following employees:

5 Years of Service

Desirea Sullivan
Shaina Leister
Christina Allen
Mindy Leader
Jena Senefelder

•

10 Years of Service

Theresa Emo
Phylis Jensen
John Stempin

•

15 Years of Service

Deborah Adams
Debra Knowles

•

20 Years of Service

Sharla Root

Annual Sales Award

Elmira Savings Bank's second Annual Sales Award was presented to Taryn Schwartz at the Annual Employee Meeting on September 14. This award recognizes an individual who continuously demonstrated the commitment of acquisition of new customers and expansion of existing customer relationships over the past year. Taryn was presented with a \$2500 check to acknowledge her past and continued commitment to Elmira Savings Bank's Sales Award standards.



Taryn Schwartz

Taryn was hired in July 2012 as a Mortgage Processor at our Ithaca Loan Production Office location. She was promoted to a Mortgage Originator in April of 2015. Her current duties include originating mortgage loans while participating in the bank's sales and business development program.

Annual Service Pride Award Winner

Employees at Elmira Savings Bank perform their jobs with remarkable customer service as their top focus. This standard of service demands consistent remarkable service to each and every customer at every point of contact by exceeding customer expectations with responsive, accurate and effective solutions, in order to develop the trust, respect and satisfaction of the customer.



Shanna Flint

Shanna Flint has been recognized time and again for her dedication to providing remarkable customer service to all customers that she has contact with. Her customer service standards are always to the highest level of remarkable customer service in the bank. She is very thorough, very detailed oriented, and is always attuned to each customer's specific situation and needs. We are honored to announce her as the recipient of our 2016 Annual Service Pride Award, for which she was presented a \$2500 check.



Resident's Day Appreciation

Elmira Savings Bank employees participated in the Annual Resident's Appreciation Day on Saturday, August 20. Lorenda Gneo and Kelly Bishop from the Triphammer Branch, Cherry Merrill of the Commons Office, and Theresa Emo from the Retail Services Department, staffed the ESB table which provided handouts and giveaways for residents. The ESB Cornhole boards were also made available for residents to play games throughout the day. 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 3 points, while one on the platform scores 1 point.

The Resident's Day event is held by Warren Wood Apartments in appreciation of their tenants. This event allows tenants and their families to get together and celebrate their tenancy in a block-party setting. In addition to Elmira Savings Bank's participation, other activities included an inflatable water slide and bouncy house, face painting, arts and crafts, and a BBQ food tent.

Harvest Music Festival

Elmira Savings Bank sponsored Corning's Gaffer District Annual Harvest Music Festival held on September 16 and 17. The event kicked off with wine and beer tasting on Market Street on Friday night. Castle Grisch partnered with the Corning Branch and provided wine tasting, while Corning and Erwin branch staff spoke with event goers, handed out chocolates, and Designated Driver gifts. Tickets for the Harvest Music Festival VIP Package grand prize drawing, as well as pairs of tasting tickets and pairs of concert tickets, were collected during the event. On Saturday, employees staffed a table at the festival and handed out nachos and apples, which are always well received.

Welcome New Elmira Savings Bank Employees

- Tracy Wiles** – Financial Services Representative, *Investment Services*
- Bibi Kester** – Financial Analyst, *Accounting Department*
- Kat Page** – Teller, *Big Flats Branch*
- Anne Lavancher** – Executive Secretary, *Executive Office*
- Kimberly O'Dell** – Teller, *Main Office*
- Brad Dennis** – Customer Service Representative, *South Meadow Office*
- Cynthia Kulis** – Teller, *Moravia Branch*
- Alyssa Carlisle** – Teller, *Moravia Branch*

Congratulations to the Following Employees for Their Promotions

- Jennifer Orr** – Customer Service Representative, *Moravia Branch*

Employee Recipe Corner

Sweet Potato Delight

- | | |
|---------------------------------------|---------------------|
| 3 cups cooked Sweet Potatoes (mashed) | Topping: |
| ½ cup Sugar | ½ cup Brown Sugar |
| 2 Eggs, well beaten | ½ cup Flour |
| ½ tsp Salt | ½ cup Pecans |
| ½ stick of Melted Butter | 1/3 stick of butter |
| ½ cup Milk | |
| 2 tsp Vanilla | |

Mix main ingredients together and spread evenly in a casserole dish. Spread topping over main mixture. Bake at 350 degrees for 30 minutes.

By Judy Woodruff, Accounting Department

The Advisor is published quarterly by Elmira Savings Bank

Elmira Savings Bank

333 East Water Street
 Elmira, NY 14901
 Phone: 607-734-3374
 Toll free 888-372-9299
www.elmirasavingsbank.com

Connect with us on Facebook

www.facebook.com/elmirasavingsbank



Bulk Rate
 Postage PAID
 Elmira, NY
 Permit # 178

333 East Water Street
 Elmira, NY 14901

Elmira Savings Bank

