

# The Advisor

November 2014

A Newsletter for Elmira Savings Bank Shareholders, Customers and Community

Vol. 5 No. 1

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## Calendar of Events

### Downtown Elmira Holiday Parade

November 28: 9:30 a.m.

### Parade of Lights, Corning

November 29: 6:30 p.m.

### Watkins Glen

### "Village Christmas" Parade

December 5: 6:30 p.m.

### "We love our customers"

February 13

All Elmira Savings Bank locations

The Advisor is published quarterly by Elmira Savings Bank

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## President's Message

It is an honor to be named the 15th President and Chief Executive Officer of the Elmira Savings Bank. I endeavor to be worthy of the appointment and uphold the tradition of success and integrity of my predecessors. I am committed to lead the organization into the future in a manner that is rewarding for our shareholders, customers and employees.

As we move forward, growing the company will be paramount to our ability to increase our profitability. The customer will be at the center of our business strategy with a primary goal of growing organically. This will be achieved by expanding our existing relationships and acquiring new customers while providing a consistently high level of customer service and a high quality experience through the



Thomas M. Carr  
President,  
Chief Executive Officer

entire life of the relationship that meets or exceeds the expectations of our customers.

Our goal is to create an organizational ethos in which every employee has an intense focus on acquiring new customers and expanding our relationship with every existing customer. This goal has heightened focus in new markets for the bank because they represent our greatest opportunity for growth and because we have already invested in physical branches and people.

We realize that in order to accomplish these goals we will need to streamline our processes, innovate our products, improve our services, enhance our systems and intensify our skills. Achieving these goals may also require us to promote our brand and our value proposition more intensely, particularly in growth markets. Finally, we understand that to accomplish these goals we will need to work harder, be more determined, and display patience.

We will endeavor to make these improvements for the benefit of our shareholders, customers and employees but realize that we will only be successful with their continued support.

## Elmira Savings Bank

## HISTORY

### ROBERT P. CARGES President 1980 – 1995

Robert P. Carges was born June 28, 1936 in Rochester, NY. He was a graduate of St. John Fisher College and was also a graduate of the Bankers Administration Institute of the University of Wisconsin and FRB School, Washington, D.C.

He worked six years as Examiner-in-Charge of 20 exams for the FDIC and as assistant secretary for the Monroe Savings Bank in Rochester. In 1972 he began his career as Treasurer with Elmira Savings Bank and was promoted to Mortgage Officer, Vice

President, Senior Vice President, and ultimately to President in 1980. During Mr. Carges' tenure as President, the bank converted from a Mutual to a Stock Form institution.

Mr. Carges retired in 1995 and spent time traveling in Russia, Ireland, and Hawaii. He also established a new business with one of his sons in Canandaigua, NY. In 1999 Mr. Carges and his wife, Elizabeth, moved across Keuka Lake to gradually renovate one of the old, original farm houses on the lake.



Robert P. Carges

## Elmira Savings Bank Reports Third Quarter Earnings

### Highlights

- Net income was \$475,000 and \$2,634,000 for the three and nine months ended September 30, 2014 compared to \$1,369,000 and \$3,935,000 for the same periods in 2013. Net income for the three and nine months ended September 30, 2014 includes the effects of a one-time expense of \$820,000 related to retirement benefits.
- Diluted earnings per share were \$.09 per share and \$.70 per share for the three and nine months ended September 30, 2014 compared to \$.40 per share and \$1.09 per share for the same periods in 2013.
- Return on average assets (annualized) was .36% and .68% for the three and nine months ended September 30, 2014 compared to 1.05% and 1.01% for the same periods in 2013.
- Return on average equity (annualized) was 3.36% and 6.35% for the three and nine months ended September 30, 2014 compared to 9.55% and 8.75% for the same periods in 2013.

### Net Income

Net income totaled \$2,634,000 for the nine months ended September 30, 2014, a decrease of \$1,301,000 or 33% from the \$3,935,000 of net income recorded for the same period in 2013. This decrease was the net result of a decrease in noninterest income of \$660,000 and an increase in noninterest expense of \$808,000, offset by an increase in net interest income of \$113,000.

Net income totaled \$475,000 for the three months ended September 30, 2014, a decrease of \$894,000 or 65% from the \$1,369,000 recorded for the same period in 2013. This decrease was the net result of a decrease in noninterest income of \$319,000, an increase in the provision for loan losses of \$88,000, and an increase in noninterest expense of \$762,000, offset by an increase in net interest income of \$32,000 and a decrease in income tax expense of \$243,000.

The increase in noninterest expense for both the three and nine months ended September 30, 2014 includes \$820,000 of one-time expense recognized in the third quarter of 2014. This one-time expense is for the estimated value of an executive retirement compensation agreement.

See **Third Quarter Earnings** on Page 5

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

(in thousands, except for share and per share data)	September 30,	December 31,	% Change
	2014	2013	
<b>ASSETS</b>			
Cash and due from banks	\$ 6,279	\$ 7,077	-11.3%
Federal funds sold and other short-term investments	533	564	-5.5%
Total cash and cash equivalents	6,812	7,641	-10.8%
Securities available for sale, at fair value	62,261	63,464	-1.9%
Securities held to maturity - fair value \$7,725 at September 30, 2014, and \$8,302 at December 31, 2013	7,486	7,805	-4.1%
Federal Reserve and Federal Home Loan Bank (FHLB) stock, at cost	11,260	10,417	8.1%
Loans held for sale	954	1,847	-48.3%
Loans receivable	410,096	389,129	5.4%
Less: Allowance for loan losses	3,928	3,834	2.5%
Net loans	406,168	385,295	5.4%
Premises and equipment, net	9,047	8,620	5.0%
Bank-owned life insurance	12,695	12,387	2.5%
Accrued interest receivable	1,559	1,454	7.2%
Intangible assets, net	144	210	-31.4%
Goodwill	12,320	12,320	0.0%
Other assets	3,020	2,865	5.4%
Total assets	\$ 533,726	\$ 514,325	3.8%
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Deposits	\$ 405,681	\$ 397,733	2.0%
Borrowings	66,200	56,500	17.2%
Other liabilities	6,757	6,067	11.4%
Total liabilities	478,638	460,300	4.0%
Shareholders' equity:			
Preferred stock, \$1,000 liquidation value per issued share; 5,000,000 shares authorized; 10,000 shares issued at September 30, 2014 and at December 31, 2013	9,700	9,700	0.0%
Common stock, \$1 par value; authorized 5,000,000 shares; 2,809,364 shares issued at September 30, 2014 and 2,776,240 shares issued at December 31, 2013	2,809	2,776	1.2%
Additional paid-in capital	42,232	41,693	1.3%
Retained earnings	2,586	2,485	4.1%
Treasury stock, at cost - 104,418 shares at September 30, 2014 and 116,268 shares at December 31, 2013	(3,053)	(3,327)	-8.2%
Accumulated other comprehensive income	760	644	18.0%
Total Elmira Savings Bank shareholders' equity	55,034	53,971	2.0%
Noncontrolling interest	54	54	0.0%
Total shareholders' equity	55,088	54,025	2.0%
Total liabilities and shareholders' equity	\$ 533,726	\$ 514,325	3.8%

### Shareholder Inquiries

**The Bank's transfer agent is:**  
Registrar and Transfer Company  
10 Commerce Dr., Cranford, NJ 07016-3752  
(800) 866-1340

**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:**  
Stifel Nicolaus  
Spear, Leeds & Kellogg  
Moors & Cabot  
Baird Patrick

**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,		
	2014	2013	% Change	2014	2013	% Change
Interest and dividend income:						
Interest and fees on loans	\$ 4,412	\$4,461	-1.1%	\$13,111	\$13,324	-1.6%
Interest and dividends on securities						
Taxable	393	419	-6.2%	1,269	1,290	-1.6%
Non-taxable	221	196	12.8%	629	572	10.0%
Total interest and dividend income	<u>5,026</u>	<u>5,076</u>	<u>-1.0%</u>	<u>15,009</u>	<u>15,186</u>	<u>-1.2%</u>
Interest expense:						
Interest on deposits	753	805	-6.5%	2,240	2,443	-8.3%
Interest on borrowings	471	501	-6.0%	1,375	1,462	-6.0%
Total interest expense	<u>1,224</u>	<u>1,306</u>	<u>-6.3%</u>	<u>3,615</u>	<u>3,905</u>	<u>-7.4%</u>
Net interest income	3,802	3,770	0.8%	11,394	11,281	1.0%
Provision for loan losses	138	50	176.0%	267	315	-15.2%
Net interest income after provision for loan losses	<u>3,664</u>	<u>3,720</u>	<u>-1.5%</u>	<u>11,127</u>	<u>10,966</u>	<u>1.5%</u>
Noninterest income:						
Service fees	380	353	7.6%	1,074	998	7.6%
Gain on sale of loans held for sale	483	817	-40.9%	1,276	2,471	-48.4%
Gain on sale of securities	-	-	-	421	61	590.2%
Other service fees	170	160	6.3%	510	486	4.9%
Earnings on bank-owned life insurance	86	126	-31.7%	308	307	0.3%
Other	36	18	100.0%	129	55	134.5%
Total noninterest income	<u>1,155</u>	<u>1,474</u>	<u>-21.6%</u>	<u>3,718</u>	<u>4,378</u>	<u>-15.1%</u>
Noninterest expense:						
Salaries and benefits	2,512	1,837	36.7%	6,083	5,444	11.7%
Net occupancy	317	296	7.1%	1,064	939	13.3%
Equipment	263	255	3.1%	763	767	-0.5%
Marketing and public relations	210	182	15.4%	614	533	15.2%
Professional fees	167	168	-0.6%	523	544	-3.9%
Other	721	690	4.5%	2,050	2,062	-0.6%
Total noninterest expense	<u>4,190</u>	<u>3,428</u>	<u>22.2%</u>	<u>11,097</u>	<u>10,289</u>	<u>7.9%</u>
Income before income taxes	629	1,766	-64.4%	3,748	5,055	-25.9%
Income taxes	154	397	-61.2%	1,114	1,120	-0.5%
Net income	<u>475</u>	<u>1,369</u>	<u>-65.3%</u>	<u>2,634</u>	<u>3,935</u>	<u>-33.1%</u>
Less: Net income attributable to noncontrolling interest	-	-	-	-	-	-
Net income attributable to Elmira Savings Bank	<u>475</u>	<u>1,369</u>	<u>-65.3%</u>	<u>2,634</u>	<u>3,935</u>	<u>-33.1%</u>
Dividend on preferred stock	225	268	-16.0%	675	938	-28.0%
Income available to common shareholders	<u>\$250</u>	<u>\$1,101</u>	<u>-77.3%</u>	<u>\$1,959</u>	<u>\$2,997</u>	<u>-34.6%</u>
Basic earnings per share	<u>\$0.09</u>	<u>\$0.42</u>	<u>-78.6%</u>	<u>\$0.73</u>	<u>\$1.15</u>	<u>-36.5%</u>
Diluted earnings per share	<u>\$0.09</u>	<u>\$0.40</u>	<u>-77.5%</u>	<u>\$0.70</u>	<u>\$1.09</u>	<u>-35.8%</u>
Weighted average shares outstanding - basic	<u>2,684,475</u>	<u>2,625,872</u>	<u>2.2%</u>	<u>2,672,010</u>	<u>2,606,958</u>	<u>2.5%</u>
Weighted average shares outstanding - diluted	<u>2,802,609</u>	<u>2,744,437</u>	<u>2.1%</u>	<u>2,796,982</u>	<u>2,737,098</u>	<u>2.2%</u>
Dividends per share	<u>\$0.23</u>	<u>\$0.21</u>	<u>9.5%</u>	<u>\$0.69</u>	<u>\$0.63</u>	<u>9.5%</u>

Per share data has been restated to reflect the 10% stock dividend paid on December 27, 2013.

## Third Quarter Earnings

*(Continued from Page 2)*

“The first nine months of 2014 have been a transitional period for the company. Michael P. Hosey retired as Chief Executive Officer of the company after 30 years of service and was appointed Chairman of the Board of Directors,” said Thomas M. Carr, President and CEO.

Mr. Carr continued, “As we look towards the future, the Bank is fortunate to have strong neighboring markets that continue to expand our balance sheet and grow our company.

Basic and diluted earnings per share for the nine months ended September 30, 2014 were \$.73 per share and \$.70 per share compared to \$1.15 per share and \$1.09 per share for the same period in 2013. Basic and diluted earnings per share for the three months ended September 30, 2014 were both \$.09 per share compared to \$.42 per share and \$.40 per share for the same period in 2013. Basic and diluted earnings per share for the six months ended June 30, 2014 were \$.64 per share and \$.61 per share compared to \$.73 per share and \$.69 per share for the same period in 2013. Basic and diluted earnings per share for the three months ended June 30, 2014 were \$.33 per share and \$.31 per share compared to \$.42 per share and \$.40 per share for the same period in 2013.

## Corning’s Gaffer District Welcomes the 19th Annual Harvest Music Festival

Elmira Savings Bank was the title sponsor of the 19th Annual Harvest Music Festival held on September 19 - 20, 2014.

ESB’s partnership with the Corning’s Gaffer District make events like Harvest Music Festival grow in both quality and popularity. This year’s music headliner was Nashville recording artist, Pam Tillis.

Kicking off this year’s event was a concert in Centerway Square by the Southern Tier All Star Jazz Band.

Visitors were also invited to participate in the harvest-inspired activities, including; live music entertainment by jazz artist Jon Seiger and the All-Stars.

Finger Lakes Winery, Standing Stone Vineyards, was at the local Elmira Savings Bank branch for the wine tasting. ESB employees were handing out popcorn to all participants throughout the wine and beer tasting hours.

There was also a free concert in Centerway Square by Nashville recording artist, Pam Tillis, a scarecrow scavenger hunt, family-friendly activities, an antique tractor show and the Corning Farmers Market, featuring local baked goods, produce, flowers and crafts on Saturday. Bank employees shared in the festivities by serving nachos in Centerway Square and with the family fun scavenger hunt!

Elmira Savings Bank website registration and office visits by customers gave one lucky winner the VIP package which consisted of accommodations in Corning, two tickets to the wine/beer tasting Friday night, \$50 gift certificate for dinner on Market Street, and two premium seat tickets for the Pam Tillis Concert.



## Elmira’s 150th Anniversary Celebration

Elmira Savings Bank proudly participated in the City of Elmira’s 150th Anniversary celebration. Several of our employees came out to enjoy the event. Magic Man Tim Cleary came and entertained children and adults of all ages making balloon animals and wowing the crowd with his magic. An enjoyable evening for all ending with a spectacular fireworks display over the Chemung River.



## Now Available - Unlimited Surcharge-Free Access at Allpoint ATMs

Banking with us just got even more convenient. Elmira Savings Bank customers now have additional access to their money wherever and whenever they need it, whether it's around the corner or worldwide. As a member of the Allpoint network, the world's largest surcharge-free ATM network, Elmira Savings Bank customers have unlimited surcharge-free access to more than 55,000 ATMs.

Look for an Allpoint ATM at some of these convenient locations\*:

- Target
- Hess
- Sunoco
- 7-Eleven
- CVS Pharmacy
- Dunkin Donuts

Need help finding your nearest surcharge-free ATM? There's an app for that. Download the Allpoint ATM Locator app for iPhone, Android, or Windows Phone devices. In just a few simple steps, you'll be able to quickly and easily find the Allpoint ATM nearest you – including directions. Or look for the Allpoint logo on participating ATMs.

### Important Information about Allpoint ATM Transactions

Surcharge (also known as a convenience fee) is a fee that the owner of the ATM machine charges to all "foreign" cardholders using the terminal (i.e. someone that is not a cardholder of the institution owning the ATM).

As an Elmira Savings Bank VISA Check Card (Debit Card) holder, you are not required to

pay a surcharge-fee at Allpoint ATMs. However, when accessing your cash at an Allpoint ATM, you may be asked to accept the surcharge. If the surcharge screen appears during your Allpoint ATM transaction, simply accept the charge and proceed with your withdrawal. Once the transaction has processed, your receipt will indicate that you were not charged the surcharge-fee for the transaction.

Please note, depending on your account type, you may be assessed an ATM Foreign Transaction fee for using a non-Elmira Savings Bank ATM. Contact our Call Center at (607) 734-3374 or stop by your local branch office for more information.

*\*Not every retail location has an Allpoint surcharge-free ATM inside. Look for the Allpoint logo to ensure your transaction will be surcharge-free.*



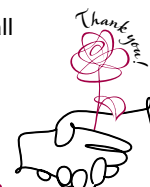
(At left) Customers enjoying Customer Appreciation balloons. (Above left) Deb Adams, manager Horseheads office and Pearl Sutphen turning 103 next month. (Above right) Customers enjoying lunch and music at the Horseheads office.

## 2014 Customer Appreciation

Elmira Savings Bank's 2014 Customer Appreciation Weeks had a grand sendoff at the Horseheads branch on August 22 as customers enjoyed pizza, Italian ice, a car wash and Magicman Tim Cleary. Other days during the summer included hot dogs, nachos, ice cream, popsicles, Crossroads the Clown and the East Hill Jazz Duo as well as many raffle giveaways. Customer Appreciation is a great way for us to say thank you to our customers and the events were enjoyed by customers and employees alike.

Congratulations to all of our raffle winners and thank you to all who helped to make our 2014 events a success!

 Elmira Savings Bank



*Customer Appreciation*  
We appreciate your business!

## Welcome New ESB Employees

We are privileged to welcome two new employees to Elmira Savings Bank in the third quarter of 2014!

**Jennifer Montanye** joined the Horseheads branch as a part-time teller. She brings with her previous banking experience as well as ten years of customer service and sales experience from the insurance industry.

**Courtney Reinhart** joined the South Meadow branch as a full-time teller. She brings with her six years of previous banking experience as well as fifteen years of retail and customer service experience.

Welcome to Elmira Savings Bank!

## College Events

Cornell University's annual "Banks on Campus" event was held this year from August 22 – August 25. This event provides our employees with an opportunity to interact with both new and returning Cornell students and their families, along with Cornell faculty members. Elmira Savings Bank has participated in this event for seven consecutive years. We would like to thank the following employees for committing their time and support to making this a successful event: Judy Woodruff, Jim Pollen, Lorenda Gneo, Kelly Bishop, Chrissie Allen, Walaa Horan, John Strong and Teresa Gentile.

On September 21 Elmira College held its annual Octagon Fair for new and returning Elmira College students, along with their friends, family and the general public. Throughout the day, folks had the opportunity to stop by our booth and learn more about all the products and services Elmira Savings Bank has to offer. A huge thank you to Pat Frisbie, Jenny Murphy, Frank Spena, Sue Walsh and Renée Wheeler for helping to make our second year on the Elmira College campus an overwhelming success.

## Please Note...

Correspondence may be received from companies offering refinance or payment plans designed to appear as though they are sent by Elmira Savings Bank. These companies use public records, such as mortgage records on file with the county clerk, to compile a mass mail listing. Correspondence from Elmira Savings Bank will always contain our logo. If you are unsure about any mailing you receive regarding your account(s), please contact us at 607-734-3374 or 888-372-9299.

Bulk Rate  
Postage  
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