

# The Advisor

February 2015

A Newsletter for Elmira Savings Bank Shareholders, Customers and Community

Vol. 5 No. 2

## IN THIS ISSUE

2-3

ESB Posts Earnings

4-5

ESB News

6

Welcome New ESB Employees

## Calendar of Events

### Watkins Glen Office Opens

March 16, 2015

### Annual Shareholder Meeting

Mandeville Hall  
Clemens Center  
Elmira, NY

April 28, 2015  
10:00 a.m.

### Customer Appreciation Weeks

Summer 2015

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](http://www.elmirasavingsbank.com)

Connect with us on Facebook  
[www.facebook.com/elmirasavingsbank](http://www.facebook.com/elmirasavingsbank)



## President's Message

The Bank had many accomplishments in 2014. We achieved balance sheet growth of \$31.6 million, or 6%, which consisted of loan growth totaling \$28.2 million, or 7%. We funded this core asset growth with \$24.8 million, or 6% deposit growth. We earned \$3.6 million in net income, creating earnings per share of 99 cents. We paid 92 cents of cash dividends per share in 2014.

In the first quarter of 2014, the Bank purchased the former HSBC bank building in Watkins Glen, NY. We have been diligently preparing for our opening on March 16, 2015. Senior Management and the Board of Directors put great effort into creating a new strategic plan for the Bank.



Thomas M. Carr  
President,  
Chief Executive Officer

This plan will set the direction for the Company for the next five years and focuses on creating a growth-oriented company. A team of employees worked together to create greater management oversight, establish baseline objectives, and enhance our promotion of our nontraditional delivery channels.

This effort included the establishment of a Bank YouTube channel, creation of YouTube educational pieces, and elevating the Bank's presence on social media.

In the second quarter of 2014, our Commercial Loan Department closed its largest single loan in Bank history by providing the financing for CFA Apartments in Corning, NY.

In the third quarter, Michael P. Hosey retired as Chief Executive

Officer and was appointed Chairman of the Board of Directors. Also at that time, I assumed the role of President and Chief Executive Officer. These changes were carried out without affecting the operation of the Bank or its Board of Directors. We also participated in American Bankers "Best Banks to Work For" survey and were pleased to be named in the top 40 banks for the second consecutive year.

In the fourth quarter, we were pleased to welcome Keller Williams of the Southern Tier and Finger Lakes to our Big Flats location and Three Rivers Development Corp. to the second floor of our Market Street building in Corning, NY.

In conclusion, 2014 was an active and successful year for the Company on many fronts. This success is attributable to a dedicated staff and to the support of the Board of Directors.

## Elmira Savings Bank

## HISTORY

### "S.T. & J.A. 1831"

The above inscription appears on a stone mounted in the wall between the two elevator doors in the bank lobby. This is the cornerstone from the first brick building in the City of Elmira. It was located at the northwest corner of Lake and East Water Streets (site of the Elmira Savings Bank Building) and was built in 1831 by the partnership of Stephen Tuttle and his son-in-law John Arnot, Sr. – both very prominent Elmira business men.



## Elmira Savings Bank Reports 2014 Earnings

### Highlights

- Net income was \$1,031,000 and \$3,665,000 for the three and twelve months ended December 31, 2014 compared to \$1,119,000 and \$5,054,000 for the same periods in 2013. Net income for the twelve months ended December 31, 2014 includes the effects of a one-time expense of \$820,000 related to retirement benefits.
- Diluted earnings per share were \$.29 per share and \$.99 per share for the three and twelve months ended December 31, 2014 compared to \$.30 per share and \$1.40 per share for the same periods in 2013.
- Return on average assets (annualized) was .76% and .70% for the three and twelve months ended December 31, 2014 compared to .85% and .97% for the same periods in 2013.
- Return on average equity (annualized) was 7.34% and 6.60% for the three and twelve months ended December 31, 2014 compared to 7.75% and 8.51% for the same periods in 2013.

### Net Income

Net income totaled \$1,031,000 for the three months ended December 31, 2014, a decrease of \$88,000 or 8% from the \$1,119,000 recorded for the same period in 2013. This decrease was the net result of a decrease in noninterest income of \$140,000 and an increase in the provision for loan losses of \$140,000, offset by an increase in net interest income of \$246,000 and a decrease in noninterest expense of \$167,000.

Net income totaled \$3,665,000 for the twelve months ended December 31, 2014, a decrease of \$1,389,000 or 28% from the \$5,054,000 of net income recorded for the same period in 2013. This decrease was the net result of a decrease in noninterest income of \$799,000, an increase in noninterest expense of \$641,000, and an increase in income tax expense of \$216,000, offset by an increase in net interest income of \$359,000.

The increase in noninterest expense for the twelve months ended December 31, 2014 includes \$820,000 of one-time expense recognized in the third quarter of 2014. This one-time expense was for the estimated value of an executive retirement compensation agreement.

See 2014 Earnings on Page 5

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

| (in thousands, except for share and per share data)  | December 31, |           | % Change |
|--|--------------|-----------|----------|
|  | 2014         | 2013      |          |
| <b>ASSETS</b>  |              |           |          |
| Cash and due from banks  | \$ 7,959     | \$7,077   | 12.5%    |
| Federal funds sold and other short-term investments  | 606          | 564       | 7.4%     |
| Total cash and cash equivalents  | 8,565        | 7,641     | 12.1%    |
| Securities available for sale, at fair value   | 65,624       | 63,464    | 3.4%     |
| Securities held to maturity - fair value \$7,641 at December 31, 2014, and \$8,302 at December 31, 2013  | 7,389        | 7,805     | -5.3%    |
| Federal Reserve and Federal Home Loan Bank (FHLB) stock, at cost   | 11,182       | 10,417    | 7.3%     |
| Loans held for sale  | 787          | 1,847     | -57.4%   |
| Loans receivable   | 417,359      | 389,129   | 7.3%     |
| Less: Allowance for loan losses  | 3,974        | 3,834     | 3.7%     |
| Net loans  | 413,385      | 385,295   | 7.3%     |
| Premises and equipment, net  | 9,475        | 8,620     | 9.9%     |
| Bank-owned life insurance  | 12,790       | 12,387    | 3.3%     |
| Accrued interest receivable  | 1,566        | 1,454     | 7.7%     |
| Intangible assets, net   | 125          | 210       | -40.5%   |
| Goodwill   | 12,320       | 12,320    | 0.0%     |
| Other assets   | 2,761        | 2,865     | -3.6%    |
| Total assets   | \$ 545,969   | \$514,325 | 6.2%     |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |              |           |          |
| Deposits   | \$ 422,561   | \$397,733 | 6.2%     |
| Borrowings   | 62,000       | 56,500    | 9.7%     |
| Other liabilities  | 5,915        | 6,067     | -2.5%    |
| Total liabilities  | 490,476      | 460,300   | 6.6%     |
| Shareholders' equity:  |              |           |          |
| Preferred stock, \$1,000 liquidation value per issued share; 5,000,000 shares authorized; 10,000 shares issued at December 31, 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 December 31, 2014 and 2,776,240 shares issued at December 31, 2013      | 2,809        | 2,776     | 1.2%     |
| Additional paid-in capital   | 42,365       | 41,693    | 1.6%     |
| Retained earnings  | 2,769        | 2,485     | 11.4%    |
| Treasury stock, at cost - 104,418 shares at December 31, 2014 and 116,268 shares at December 31, 2013  | (3,053)      | (3,327)   | -8.2%    |
| Accumulated other comprehensive income   | 849          | 644       | 31.8%    |
| Total Elmira Savings Bank shareholders' equity   | 55,439       | 53,971    | 2.7%     |
| Noncontrolling interest  | 54           | 54        | 0.0%     |
| Total shareholders' equity   | 55,493       | 54,025    | 2.7%     |
| Total liabilities and shareholders' equity   | \$ 545,969   | \$514,325 | 6.2%     |

### 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<br>December 31, |                  |               | Twelve Months Ended<br>December 31, |                  |               |
|--|------------------------------------|------------------|---------------|-------------------------------------|------------------|---------------|
|  | 2014                               | 2013             | % Change      | 2014                                | 2013             | % Change      |
| Interest and dividend income:                            |                                    |                  |               |                                     |                  |               |
| Interest and fees on loans                               | \$ 4,598                           | \$4,409          | 4.3%          | \$17,709                            | \$17,733         | -0.1%         |
| Interest and dividends on securities                     |                                    |                  |               |                                     |                  |               |
| Taxable  | 390                                | 454              | -14.1%        | 1,659                               | 1,744            | -4.9%         |
| Non-taxable  | 270                                | 204              | 32.4%         | 899                                 | 776              | 15.9%         |
| Total interest and dividend income                       | <u>5,258</u>                       | <u>5,067</u>     | <u>3.8%</u>   | <u>20,267</u>                       | <u>20,253</u>    | <u>0.1%</u>   |
| Interest expense:  |                                    |                  |               |                                     |                  |               |
| Interest on deposits                                     | 746                                | 781              | -4.5%         | 2,986                               | 3,224            | -7.4%         |
| Interest on borrowings                                   | 494                                | 514              | -3.9%         | 1,869                               | 1,976            | -5.4%         |
| Total interest expense                                   | <u>1,240</u>                       | <u>1,295</u>     | <u>-4.2%</u>  | <u>4,855</u>                        | <u>5,200</u>     | <u>-6.6%</u>  |
| Net interest income                                      | 4,018                              | 3,772            | 6.5%          | 15,412                              | 15,053           | 2.4%          |
| Provision for loan losses                                | 140                                | -                | -             | 407                                 | 315              | 29.2%         |
| Net interest income after provision for loan losses      | <u>3,878</u>                       | <u>3,772</u>     | <u>2.8%</u>   | <u>15,005</u>                       | <u>14,738</u>    | <u>1.8%</u>   |
| Noninterest income:                                      |                                    |                  |               |                                     |                  |               |
| Service fees   | 363                                | 359              | 1.1%          | 1,437                               | 1,357            | 5.9%          |
| Gain on sale of loans held for sale                      | 357                                | 536              | -33.4%        | 1,633                               | 3,007            | -45.7%        |
| Gain on sale of securities                               | -                                  | -                | -             | 422                                 | 61               | 591.8%        |
| Other service fees                                       | 177                                | 174              | 1.7%          | 687                                 | 660              | 4.1%          |
| Earnings on bank-owned life insurance                    | 96                                 | 92               | 4.3%          | 404                                 | 399              | 1.3%          |
| Other  | 46                                 | 18               | 155.6%        | 175                                 | 73               | 139.7%        |
| Total noninterest income                                 | <u>1,039</u>                       | <u>1,179</u>     | <u>-11.9%</u> | <u>4,758</u>                        | <u>5,557</u>     | <u>-14.4%</u> |
| Noninterest expense:                                     |                                    |                  |               |                                     |                  |               |
| Salaries and benefits                                    | 1,609                              | 1,938            | -17.0%        | 7,692                               | 7,382            | 4.2%          |
| Net occupancy  | 352                                | 320              | 10.0%         | 1,416                               | 1,259            | 12.5%         |
| Equipment  | 249                                | 255              | -2.4%         | 1,012                               | 1,022            | -1.0%         |
| Marketing and public relations                           | 270                                | 143              | 88.8%         | 884                                 | 676              | 30.8%         |
| Professional fees  | 167                                | 130              | 28.5%         | 690                                 | 674              | 2.4%          |
| Other  | 759                                | 787              | -3.6%         | 2,809                               | 2,849            | -1.4%         |
| Total noninterest expense                                | <u>3,406</u>                       | <u>3,573</u>     | <u>-4.7%</u>  | <u>14,503</u>                       | <u>13,862</u>    | <u>4.6%</u>   |
| Income before income taxes                               | 1,511                              | 1,378            | 9.7%          | 5,260                               | 6,433            | -18.2%        |
| Income taxes   | 476                                | 254              | 87.4%         | 1,590                               | 1,374            | 15.7%         |
| Net income   | <u>1,035</u>                       | <u>1,124</u>     | <u>-7.9%</u>  | <u>3,670</u>                        | <u>5,059</u>     | <u>-27.5%</u> |
| Less: Net income attributable to noncontrolling interest | 5                                  | 5                | -             | 5                                   | 5                | -             |
| Net income attributable to Elmira Savings Bank           | <u>1,031</u>                       | <u>1,119</u>     | <u>-7.9%</u>  | <u>3,665</u>                        | <u>5,054</u>     | <u>-27.5%</u> |
| Dividend on preferred stock                              | 225                                | 277              | -18.8%        | 900                                 | 1,215            | -25.9%        |
| Income available to common shareholders                  | <u>\$805</u>                       | <u>\$842</u>     | <u>-4.4%</u>  | <u>\$2,765</u>                      | <u>\$3,839</u>   | <u>-28.0%</u> |
| Basic earnings per share                                 | <u>\$0.30</u>                      | <u>\$0.32</u>    | <u>-6.3%</u>  | <u>\$1.03</u>                       | <u>\$1.47</u>    | <u>-29.9%</u> |
| Diluted earnings per share                               | <u>\$0.29</u>                      | <u>\$0.30</u>    | <u>-3.3%</u>  | <u>\$0.99</u>                       | <u>\$1.40</u>    | <u>-29.3%</u> |
| Weighted average shares outstanding - basic              | <u>2,692,833</u>                   | <u>2,638,844</u> | <u>2.0%</u>   | <u>2,677,252</u>                    | <u>2,617,073</u> | <u>2.3%</u>   |
| Weighted average shares outstanding - diluted            | <u>2,807,591</u>                   | <u>2,763,867</u> | <u>1.6%</u>   | <u>2,799,670</u>                    | <u>2,745,934</u> | <u>2.0%</u>   |
| Dividends per share                                      | <u>\$0.23</u>                      | <u>\$0.21</u>    | <u>9.5%</u>   | <u>\$0.92</u>                       | <u>\$0.84</u>    | <u>9.5%</u>   |



## 2014 Earnings

(Continued from Page 2)

"The year 2014 was a transitional period for the leadership of the company," said Thomas M. Carr, President and CEO. Mr. Carr continued, "As we look forward into 2015, we are focused on growing our company and to our expansion into Watkins Glen, NY, with a full-service branch."

Basic and diluted earnings per share for the twelve months ended December 31, 2014 were \$1.03 per share and \$.99 per share compared to \$1.47 per share and \$1.40 per share for the same periods in 2013. Basic and diluted earnings per share for the three months ended December 31, 2014 were \$.30 per share and \$.29 per share compared to \$.32 per share and \$.30 per share for the same periods in 2013.

## Finger Lakes Beer Festival

Elmira Savings Bank was the official bank of the Finger Lakes Beer Festival held at Watkins Glen International on October 25, 2014. This was ESB's second year of involvement and growth of the event was evidenced, in part, by the name change from 2013's Glentoberfest to 2014's Finger Lakes Beer Festival. This name change was due to involvement of the Finger Lakes Beer Trail whose purpose is to promote the growing craft brewing industry in the Finger Lakes.

There were 30 craft beer vendors along with several local food vendors. Watkins Glen International converted their paddock in order to host the event and it was filled close to capacity for most of what was a beautiful fall day.

In addition to the food and drink, there were several contests including corn bag toss, stein holding and best dressed. Fritz's Polka Band used their unique blend of high energy rock'n'roll polka music to good effect and kept the crowd rocking and dancing all afternoon. Pace car rides for charity and Elmira Savings Bank's balsa gliders rounded out a very enjoyable afternoon. ESB is looking forward to taking part in this event once again in 2015!



Revellers and employee John Strong pose by the Elmira Savings Bank table.



## Holiday Parades

Elmira Savings Bank boasted another successful holiday parade season in 2014. This year's float, strategically named the Extremely Sweet Bakery, with its open-fire oven kept hearts warm through the cold in Elmira, the darkness in Corning, and the rain in Watkins Glen. Children and adults alike were greeted with treats provided by our 'bakers' and gingerbread people fresh out of the oven. Even though the point of these parades are to make people smile, it doesn't hurt that we were also able to defend our title as best decorated float in the Watkins Glen parade for two years running! Our staff of volunteers took a blank slate this year and made it another creative year for the ESB float.



Keller Williams Realty is located in the Elmira Savings Bank Big Flats location on County Route 64.

## Welcome to New Tenants

Elmira Savings Bank is pleased to welcome Keller Williams Realty and Three Rivers Development to their new locations.

Keller Williams Realty has moved into a new space on County Route 64 in Big Flats, NY, located in the same building as our Big Flats branch. The empty space had been built out to their specifications and is currently occupied by approximately 50 real estate agents.

Three Rivers Development Corporation recently relocated to the second floor of the bank's Market Street branch in Corning, NY. Three Rivers Development Corporation is the Corning area's primary private-sector vehicle for economic development.

## Southport Branch Manager Retires

Patricia ("Patty") Burdick-Cobb, our Southport Branch Manager, retired in November 2014 after 11 years with Elmira Savings Bank.

Ms. Cobb served in several positions at various branches during her career at the bank, including Teller Coordinator, Assistant Branch Manager, and Southport Branch Manager. In November 2008 she was promoted to officer status as Assistant Treasurer. She and her husband plan to travel and complete their quest to visit all the lighthouses within the United States.



## Photos with Santa

In December Elmira Savings Bank celebrated its Second Annual "Photos with Santa" event at two of our branch locations. The free photo sittings gave our employees the opportunity to spread some Christmas cheer and to spend time with children of all ages. A special thank you to John Watkins for playing the role of Santa, to Frank Spena for donating his photography skills, and to the many elves who committed their time and support to help make the events an overwhelming success: Pat Frisbie, Shaina Leister, Janette Allen, Edie Keebler, Jill McConnell, Brenda Cimikasky and Renée Wheeler.

## Chamber Awards Breakfast Sponsored by Elmira Savings Bank

For the 18th consecutive year, Elmira Savings Bank sponsored the Chemung County Chamber of Commerce Annual Awards Breakfast held on Tuesday, December 2, 2014. The award winners included Kathy Sisti of Horseheads Central School District, Partners in Education Award; Thomas Freeman of First Arena was honored with the Mary E. Kennedy Community Builder Award; and Venitra Clark of the Clemens Center was recipient of the Athena® Award. The Ambassador of the Year went to Lisa Roan of Pembroke Pines Media Group, and the New Business Award was presented to Cyndy and Travis Barnes of Journey Fitness Coaching.

This year's event, held at the Elmira Country Club, was attended by over 250 individuals and business professionals.

## Annual Service Pride Award

Congratulations to Kelly Bishop for receiving the Bank's 2014 Annual Service Pride Award. Kelly is the Teller Coordinator at our Triphammer Branch and has been with the Bank for five years.

The Service Pride Award Program recognizes employees who continually provide remarkable customer service. Management determines, on an annual basis, a winner from the Service Pride Award recipients throughout the year and the winner is announced at our Annual All Employee Meeting.

The Bank's customer service standards are: **Excellence:** We will guarantee quality service that meets or exceeds expectations to ensure



Kelly Bishop

a positive experience when dealing with our employees and develop effective solutions in an effort to gain the trust and respect of our customers.

**Commitment:** We will be friendly, courteous, respectful and professional at all times. We will take responsibility for providing solutions that best meet your need and for assisting you when referring you to someone who can provide a solution.

**Timeliness:** We will value your time by giving you the right answer the first time and by conveying sincerity that shows we are dedicated to your overall financial satisfaction.

**Responsiveness:** We will respond promptly to all requests within 24 hours. We will cover the telephone at all customer-contact points during normal business hours. We will answer the phone by the third ring.

Kelly continuously shows great customer service to customers and co-workers alike, many times going out of her way to help wherever needed. It is a pleasure to have Kelly on staff.

## Safe Deposit Boxes

A safe deposit box is the safest place away from home for keeping your important documents safe from fire, home invasions and also from tampering. Some popular items kept in a safe deposit box include: deeds, titles and abstracts; marriage licenses and divorce decrees; birth certificates and social security cards; home inventory documentation, wills, trusts and power of attorney documents, stock certificates and financial documents; passports; funeral and burial instructions, and irreplaceable family photos or heirlooms.

An important question to ask yourself when choosing what to put in a safe deposit box, is "if these documents or items were lost, how long or how could they ever be replaced." Safe deposit boxes are available at several of our branch locations; our branch managers are available to answer any questions or to provide additional information.

## Welcome New ESB Employees

We are privileged to welcome six new employees to Elmira Savings Bank in the fourth quarter of 2014.

**Michelle Corby** has joined the Audit/Compliance department as a Risk Management Assistant. She brings with her over 12 years of banking experience with over eight years in auditing and compliance functions.

**Tom Hill** joins the Deposit Operations department as a Courier. Tom recently retired from a 30 year career in the school system.

**Linda Confer** will be the Branch Manager for our new Watkins Glen Branch. She is a longtime resident of Montour Falls and brings with her 20 years of bank management experience as well as 10 years of experience operating a family business with her husband.

**Jason Sorochinsky** is Elmira Savings Bank's new Vice President and Mortgage Sales Manager. He brings with him many years of experience in the mortgage industry.

**Valerie Friedrich** joins ESB as an Assistant Branch Manager at the Big Flats branch. She brings with her previous bank management as well as retail store management experience. Valerie has a Bachelor's degree in Business Management from Mansfield University.

**Bonnie Osadchey** joins Elmira Savings Bank as a Mortgage Originator for the Ithaca Market. Bonnie has many years of mortgage origination experience.

Welcome to Elmira Savings Bank!

## Annual Employee Meeting

The Bank held its Annual All Employee Meeting on Wednesday, October 1, 2014 at The Hotel Ithaca. The following individuals were recognized for their years of service at Elmira Savings Bank:

### 25 years

**Pat Frisbie**, Loan Accounting Specialist  
**Jill McConnell**, BSA Officer/Assistant Secretary  
**Judy Johnston**, Horseheads Branch Senior Teller

### 15 years

**Shirley Weigand**, Executive Secretary/Assistant Secretary

### 10 years

**Tammi Cronin**, Operations Representative  
**Mary Niles**, Big Flats Branch Manager  
**Kimberly Rockwell**, West Elmira Branch Teller Coordinator

### 5 years

**Dwayne Balcom**, Mortgage Processor/Closer  
**Peggy Hurd**, Commons Branch Manager/Assistant Treasurer  
**Kelly Bishop**, Triphammer Branch Teller Coordinator

Elmira, NY 14901  
 333 East Water Street

Elmira  
 Savings Bank



Bulk Rate  
 Postage  
 PAID  
 Elmira, NY  
 Permit # 178