

The Advisor

June 2015

A Newsletter for Elmira Savings Bank Shareholders, Customers and Community

Vol. 5 No. 3

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Calendar of Events

Brand Park Summer Concert Series

Sundays

June 28 – August 30

•

Spiedie Fest & Balloon Rally

July 31, August 1 – 2

Otsiningo Park, Binghamton, NY

•

Greater Binghamton Business Expo

September 17

Doubletree by

Hilton Binghamton

•

Customer Appreciation 2015

July 6–10	Erwin
July 13–17	Moravia
July 27–31	Southside
Aug 10–14	Watkins Glen
Aug 17–21	South Meadow
Aug 24–28	Horseheads

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Elmira Savings Bank

333 East Water Street

Elmira, NY 14901

Phone: 607-734-3374

Toll free 888-372-9299

www.elmirasavingsbank.com

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President's Message

The following is an excerpt from my statement to Shareholders at the Annual Shareholders Meeting in April.

As a bank headquartered in Elmira, NY, for the last 146 years, we are fortunate to not only have the Elmira and Horseheads economy which has shown resilience over the decades, but to also have the adjacent vibrant markets of Corning and Ithaca that provide us opportunities to expand our Company.

We have made significant investments in both markets with two full service offices in Steuben County and three full service offices in Tompkins County. Our primary strategic objective is to create an organization in which every employee has an intense focus on acquiring new customers and expanding our relationships with every existing customer (new business). This goal will have heightened focus in Corning and Ithaca because they represent the markets with our greatest opportunity for growth and because we have already invested in physical branches and human resources.

During the first quarter we implemented systems and processes to support our busi-

ness development efforts. These systems and processes are across all business lines and all markets and have helped us focus and stimulate our outreach to current and prospective customers. We have modified incentive programs across the organization to better reward employees who are successful at customer acquisition and expansion of market share.

In March we opened our 13th full service branch in Watkins Glen and have appreciated the warm welcome that community has given us.

We also launched our mobile check deposit product in the first quarter that will allow customers to take a picture of a check and deposit it remotely into their account.

During the first quarter of 2015 we have continued to execute our Strategic Plan. We recently completed a comprehensive review of our lending divisions utilizing industry experts. From that review we have many initiatives to implement, modifying our operations that will provide our business lines



Thomas M. Carr
President,
Chief Executive Officer

with scalability and efficiency as we grow.

Finally, in early April we launched a broad and intensive six-month sales training program utilizing a professional resource to provide our front line employees with formal sales training.

In closing, based on all of the aforementioned activities, I believe it is apparent that the Officers, under the guidance of the Board of Directors have been vigorously working to make Elmira Savings Bank a better bank. I appreciate the support of our Board, our officers and our staff, and especially the support of our many loyal and long-term shareholders.

Mobile Deposit Now Available

The Elmira Savings Bank Mobile App just got even better! Now you can use it to deposit checks directly into your ESB checking or savings account.

Mobile Deposit allows you to deposit checks anytime; 24 hours a day, seven days a week, and from any location in just a few simple steps. Your eligible accounts are automatically enrolled for Mobile Deposit when you login to Mobile Banking.

Visit us online at www.elmirasavingsbank.com/Personal/MobileBanking.aspx for more information, or to view the most frequently asked questions about mobile banking and mobile deposit.

Please feel free to contact our Call Center at (607) 734-3374, or stop by your local branch office with questions or for additional assistance.



Just launch the Elmira Savings Bank Mobile App on your smartphone or internet-enabled tablet device and select "Check Deposit" from the navigation menu to get started.

Elmira Savings Bank Reports First Quarter Earnings

Highlights

- Net income was \$1,010,000 for the three months ended March 31, 2015 compared to \$1,060,000 for the same period in 2014.
- Diluted earnings per share were \$.28 per share for the three months ended March 31, 2015 compared to \$.30 per share for the same period in 2014.
- Return on average assets was .74% for the three months ended March 31, 2015 compared to .84% for the same period in 2014.
- Return on average equity was 7.29% for the three months ended March 31, 2015 compared to 7.82% for the same period in 2014.
- "During the first quarter of 2015, we opened our thirteenth full-service branch in Watkins Glen, NY, and added mobile check deposit services to our mobile and online banking functionality," said Thomas M. Carr, President and CEO. Carr continued, "Our earnings were modestly below the same period in 2014, totaling \$1.0 million dollars for the period ended March 31, 2015, due to lower revenue year-to-year."

Net Income

Net income totaled \$1,010,000 for the three months ended March 31, 2015, a decrease of \$50,000 or 4.7% from the \$1,060,000 recorded for the same period in 2014. This decrease was the net result of a decline in noninterest income of \$54,000 and a decrease of \$48,000 in net interest income, offset by a reduction in tax expense of \$54,000.

Basic and diluted earnings per share for the three months ended March 31, 2015 were \$.29 per share and \$.28 per share compared to \$.31 per share and \$.30 per share for the same period in 2014.

Elmira Savings Bank CONSOLIDATED BALANCE SHEET (Unaudited)

(in thousands, except for share and per share data)	March 31,	December 31,	% Change
	2015	2014	
ASSETS			
Cash and due from banks	\$26,948	\$7,959	238.6%
Federal funds sold and other short-term investments	504	606	-16.8%
Total cash and cash equivalents	27,452	8,565	220.5%
Securities available for sale, at fair value	57,374	65,624	-12.6%
Securities held to maturity - fair value \$7,503 at March 31, 2015 and \$7,641 at December 31, 2014	7,276	7,389	-1.5%
Federal Reserve and Federal Home Loan Bank (FHLB) stock, at cost	11,643	11,182	4.1%
Loans held for sale	2,434	787	209.3%
Loans receivable	420,237	417,359	0.7%
Less: Allowance for loan losses	4,002	3,974	0.7%
Net loans	416,235	413,385	0.7%
Premises and equipment, net	10,058	9,475	6.2%
Bank-owned life insurance	12,884	12,790	0.7%
Accrued interest receivable	1,641	1,566	4.8%
Intangible assets, net	108	125	-13.6%
Goodwill	12,320	12,320	0.0%
Other assets	2,760	2,761	-0.0%
Total assets	\$562,185	\$545,969	3.0%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits	\$426,075	\$422,561	0.8%
Borrowings	74,000	62,000	19.4%
Other liabilities	6,292	5,915	6.4%
Total liabilities	506,367	490,476	3.2%
Shareholders' equity:			
Preferred stock, \$1,000 liquidation value per issued share; 5,000,000 shares authorized; 10,000 shares issued at March 31, 2015 and at December 31, 2014	9,700	9,700	0.0%
Common stock, \$1 par value; authorized 5,000,000 shares; 2,813,377 shares issued at March 31, 2015 and 2,809,364 shares issued at December 31, 2014	2,813	2,809	0.1%
Additional paid-in capital	42,492	42,365	0.3%
Retained earnings	2,930	2,769	5.8%
Treasury stock, at cost - 98,118 shares at March 31, 2015 and 104,418 shares at December 31, 2014	(2,907)	(3,053)	-4.8%
Accumulated other comprehensive income	736	849	-13.3%
Total Elmira Savings Bank shareholders' equity	55,764	55,439	0.6%
Noncontrolling interest	54	54	0.0%
Total shareholders' equity	55,818	55,493	0.6%
Total liabilities and shareholders' equity	\$562,185	\$545,969	3.0%

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

Elmira Savings Bank
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

(in thousands, except for per share data)	Three Months Ended March 31,		
	2015	2014	% Change
Interest and dividend income:			
Interest and fees on loans	\$ 4,462	\$ 4,397	1.5%
Interest and dividends on securities			
Taxable	402	464	-13.4%
Non-taxable	231	204	13.2%
Total interest and dividend income	<u>5,095</u>	<u>5,065</u>	<u>0.6%</u>
Interest expense:			
Interest on deposits	727	742	-2.0%
Interest on borrowings	543	450	20.7%
Total interest expense	<u>1,270</u>	<u>1,192</u>	<u>6.5%</u>
Net interest income	3,825	3,873	-1.2%
Provision for loan losses	50	54	-7.4%
Net interest income after provision for loan losses	<u>3,775</u>	<u>3,819</u>	<u>-1.2%</u>
Noninterest income:			
Service fees	355	329	7.9%
Gain on sale of loans held for sale	354	448	-21.0%
Gain on sale of securities	204	216	-5.6%
Other service fees	169	164	3.0%
Earnings on bank-owned life insurance	94	91	3.3%
Other	59	41	43.9%
Total noninterest income	<u>1,235</u>	<u>1,289</u>	<u>-4.2%</u>
Noninterest expense:			
Salaries and benefits	1,794	1,839	-2.4%
Net occupancy	392	416	-5.8%
Equipment	254	250	1.6%
Marketing and public relations	211	200	5.5%
Professional fees	180	161	11.8%
Other	738	697	5.9%
Total noninterest expense	<u>3,569</u>	<u>3,563</u>	<u>0.2%</u>
Income before income taxes	1,441	1,545	-6.7%
Income taxes	431	485	-11.1%
Net income	1,010	1,060	-4.7%
Less: Net income attributable to noncontrolling interest	-	-	-
Net income attributable to Elmira Savings Bank	1,010	1,060	-4.7%
Dividend on preferred stock	225	225	0.0%
Income available to common shareholders	<u>\$ 785</u>	<u>\$ 835</u>	<u>-6.0%</u>
Basic earnings per share	<u>\$ 0.29</u>	<u>\$ 0.31</u>	<u>-6.5%</u>
Diluted earnings per share	<u>\$ 0.28</u>	<u>\$ 0.30</u>	<u>-6.7%</u>
Weighted average shares outstanding - basic	<u>2,700,542</u>	<u>2,657,141</u>	<u>1.6%</u>
Weighted average shares outstanding - diluted	<u>2,811,600</u>	<u>2,789,840</u>	<u>0.8%</u>
Dividends per share	<u>\$ 0.23</u>	<u>\$ 0.23</u>	<u>0.0%</u>

Cyber Tips

By 2017, the number of smartphone users in the U.S. is expected to surpass 200 million, nearly 65 percent of the population. Negotiating security in the face of an ever-growing implementation of mobile devices presents serious challenges for organizations. Risks include the growth of Bring Your Own Device (BYOD) (coupled with a lack of security controls for these devices), loss/theft of devices, and the proliferation of mobile malware.

Users need to understand the risks and the steps they can take to minimize them, particularly as cybercriminals often use employees as the entry point into an organization's network. Below are some key actions users can take to help minimize the likelihood of a successful cyber attack.

Regularly update your device.

Mobile malware increased 75% in 2014 from 2013, and further increases in malware are expected in 2015, particularly in mobile ransomware. Updated operating systems and security software are critical in protecting against emerging threats.

Enable encryption.

Enabling encryption on your smartphone is one of the best ways to safeguard information stored on the device, thwarting unauthorized access.

Use a passcode.

In case your phone ever does fall into the wrong hands, don't make it easy for someone to access all your important information! Enable strong password protection on your device and include a timeout requiring authentication after a period of inactivity. Secure the smartphone with a unique password - not the default one it came with. Do not share your password with others.

Do not use public Wi-Fi.

Do not log into accounts and do not conduct any sensitive transactions, such as shopping or banking, while using public Wi-Fi. Disable the "automatically connect to Wi-Fi" setting on your device.

Install applications from trusted sources.

Last fall, Gartner issued a prediction that more than 75 percent of mobile applications will fail basic security tests through 2015. When downloading apps, be proactive and make sure that you read the privacy statement, review permis-

See **Cyber Tips** on Page 4



Elmira Savings Bank Announces Opening of Watkins Glen Full-Service Branch Office

Elmira Savings Bank is proud to announce the March 16 opening of a new branch office at 712 N. Franklin Street, Watkins Glen, NY.

"We are very excited to open our 13th full-service branch in Watkins Glen, NY," stated Thomas M. Carr, President and CEO of Elmira Savings Bank. "We have many existing customers in Schuyler County; however, this is our first branch in that market. We have hired an experienced team of banking professionals who are looking forward to bringing our brand of community banking to the residents of Watkins Glen."

Located in the heart of the Finger Lakes region, where tourists roam and locals cherish, our new Elmira Savings Bank branch is located at the corner of Franklin and 8th Streets. The convenient location includes easy access to the ATM and Drive Thru. The branch is tastefully



Watkins Glen staff from left to right: Janette Allen, Relationship/Banking Officer; Kristen Dupuis, Teller; Michelle Tilden, Teller Coordinator; Linda Confer, Branch Manager.

decorated with photography celebrating the beauty of Watkins Glen and its racing history.

Longtime Schuyler County resident Linda Confer brings 20 years of banking experience to serve as the Branch Manager. Janette Allen, with 48 years of banking experience, has moved over from our Montour Falls Loan Production Office, where she spent seven years, to Watkins Glen as the Relationship/Banking Officer. Michelle Tilden is the Teller Coordinator and Kristen Dupuis serves as Teller.

Cyber Tips

(Continued from Page 3)

sions, check the app reviews and look online to see if any security company has identified the app as malicious.

Install a phone locator/remote erase app.

Misplacing your device doesn't have to be a catastrophe if it has a locator app. Many such apps allow you to log on to another computer and see on a map exactly where the device is. Remote erase apps allow you to remotely wipe data from your device, helping minimize unauthorized access to your information in the event you cannot locate the device.

Disable unwanted services when not in use.

Bluetooth and Near Field Capabilities (NFC) can provide an easy way for an unauthorized user nearby to gain access to your data. Turn these features off when they are not required.

Carefully dispose of mobile devices.

With the constant changes in the smartphone market, many users frequently upgrade to new devices. Make sure you wipe the information from your smartphone before disposal. For information on how to do this, check the website of your mobile provider or the manufacturer.

Elmira Savings Bank Supports Corning's Cabin Fever

Elmira Savings Bank once again participated in Corning's Cabin Fever on March 13, helping attendees to beat the winter blues with a night of entertainment and festivities. This popular event, attended by over 650 people, was held in Corning's historic Gaffer District. The evening featured wine tastings and craft beer samplings from wineries and breweries located in the Finger Lakes Region, as well as shopping and dining opportunities throughout the historic downtown area. Elmira Savings Bank proudly sponsored Standing Stone Winery of Hector, New York, and volunteers from the bank enjoyed handing out chocolates, beads and popcorn. Designated drivers also received a special bag of snacks and other goodies. After the long, cold winter, everyone had a great evening enjoying the beautiful weather and fun activities!

SBA Names Elmira Savings Bank One of Top Southern Tier Lenders for 2014

Elmira Savings Bank was recently named Small Community Lender of the Southern Tier for 2014 by the U. S. Small Business Administration (SBA). During the year, our Commercial Lending Department provided \$316,000 in loans to small businesses throughout the Southern Tier. Elmira Savings Bank participates in multiple programs offered by the SBA, which enable our Commercial Lenders to originate loans for small and growing businesses. The Commercial Lending team of Elmira Savings Bank is committed to helping local businesses succeed and grow.



From left to right: Tom Carr, President & CEO; Commercial Loan Department Team: Tammy Pabis, Amy Ward, Cathy Horan; SBA Syracuse District Director Bernard J. Paprocki.

Elmira Savings Bank HISTORY

Before December of 1975 Elmira Savings Bank was headquartered on the south side of Water Street across from the intersection with Baldwin Street. These photos, taken in the late 1960s or early 1970s, show the Bank building. Today this spot is occupied by the Citizens Cascade water fountain in Mark Twain Riverfront Park. The fountain, part of Elmira's revitalization after the Agnes flood of 1972, was dedicated by then New York State Governor Hugh L. Carey on August 9, 1977.



Promotions

(Continued from Page 6)

Kayla Huckins has been promoted to Teller Coordinator at our Big Flats branch. Kayla first joined Elmira Savings Bank as a peak-time Teller at the Horseheads branch shortly after finishing high school. She became a full-time Teller in 2006, was promoted to Operations Consumer Specialist in 2008 and transferred back to the branches as Teller Coordinator in 2009.

Christine Iles has been promoted to Assistant Branch Manager at the Elmira Heights branch. Christine joined ESB as a Teller in 2013 and was promoted to the Heights branch Teller Coordinator later that year. She has an Associate's degree from Paul Smith College.

Amy Kramer has been promoted to Senior Teller. Amy was originally hired as a Teller at the Main branch in 2012. Prior to joining us she was employed in retail sales for seven years. Amy has an Associate's degree in Business Administration from Corning Community College.

Mindy Leader has been promoted to Retail Project Specialist. Mindy joined us as a part time Teller at the Commons branch in 2011. She transferred to the Horseheads branch as a full time Teller in 2012 and was promoted to Teller Coordinator at the Elmira Heights branch later that year. Mindy was promoted to ACH Specialist in the Operations Department in 2013. Mindy has a Bachelor's degree in International Business from Dickinson College.

Christina Losey has been promoted to Assistant Branch Manager at the Corning branch. She joined Elmira Savings Bank in 2007 as a Teller. In 2008 she was promoted to Accounting Rep and transferred back to the branches as a full time Teller. Christina was then promoted to Customer Service Representative in 2009. Christina has a Bachelor's degree from Elmira College as well as an Associate degree from Ivy Tech State College.

Sarah Parker has been promoted to Assistant Branch Manager of the Horseheads branch. Sarah joined us in 2007 as a full time Teller, was promoted to Senior Teller in 2008, Teller Coordinator 2009 and Customer Service Rep in 2011.

John Stempin has been promoted to Controller and Assistant Vice President. John joined the bank in 2006 as a Financial Analyst. He was promoted to officer status as Assistant Secretary in 2010 and to Senior Financial Analyst in 2011. John has a Bachelor's degree in Business Economics from SUNY Cortland, an Associate's degree from Corning Community College and will soon earn his MBA from the University of Scranton.

Julie Wenck has been promoted to Deposit Operations ACH Specialist. She joined us in 2013 as an Operations Representative. She had previously worked in retail as an assistant store manager. Julie has a Bachelor's degree in Communications from University of Dayton and a Master's of Science degree from Elmira College.

Welcome New ESB Employees

The following were welcomed during the first quarter of 2015:

Aubree Cruz has joined our Accounting Department as a Financial Analyst. She has previous experience as manager of an accounting department at a credit union as well as bank teller experience. Aubree has a Bachelor's degree in Business Administration from Elmira College.

Pam Donovan has joined the Horseheads branch as a part-time Teller. Pam has many years of retail sales and store management experience.

Kristen Dupuis returns to ESB as Teller at our new Watkins Glen branch. Kristen first started at our former Arnot Mall branch in 2010 and left the bank in 2013 when she relocated out of the area. Kristen has a Bachelor's degree in Sociology from Stony Brook University.

Robert Hazelton joins ESB as a Commercial Lender for the Ithaca & Binghamton markets. Rob brings with him 20 years of banking experience including Branch Manager, Re-

gional Sales Manager and District Manager positions. He is Veteran of the US Navy and served during Operation Desert Storm.

Bridget Mack has joined the Southport branch as a part-time teller. Bridget has previous retail customer service experience and is a small business owner.

Barbara Osborne joins our Accounting Department as an Accounting Specialist. She has previous administrative and bookkeeping experience as well as over ten years as a small business owner. Barbara has a Bachelor's degree in Business Management from Empire State College.

Cassandra Ponton joins us as a part time Teller at our South Meadow branch. She has retail management experience and continues to work in retail sales on a part time basis. She will soon be completing her Associates degree from TC3.

Vicky Smith rejoins us as a Teller for the Erwin branch. She first started with ESB in 2012 at our Southport branch. In addition to having bank teller experience, she has also run her family business for over 20 years.

Erin Thomas-Allen joins us as Mortgage Originator for the Vestal market. Erin has previous branch management and teller experience as well as several years of mortgage origination experience.

Welcome to Elmira Savings Bank.

Promotions

Jennifer Catron has been promoted to Teller Coordinator. Jennifer started at the bank in 2007 as Accounting Representative, was promoted to Accounting Specialist in 2010, and was promoted into Loan Servicing as an Escrow Processor in 2011.

Theresa Emo has been promoted to Senior Branch Manager. Theresa joined us in 2006 as Assistant Branch Manager with the opening of the Corning branch. She was promoted to Branch Manager in 2008 and has been actively involved with several new branch openings as well as ongoing business development initiatives. Theresa has an Associate's degree in Accounting from Elmira Business Institute.

See Promotions on Page 5

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