AMERICAN BANKER
BEST BANKS
TO WORK
FOR 2013

Windows of Opportunity

Shareholders • Customers • Employees

Elmira
Savings Bank
The People's Bank

2013 Annual Report

OUR MISSION

THE MISSION OF ELMIRA SAVINGS BANK is to provide above average returns to our shareholders while providing a broad range of financial services that meet the needs of the individuals, businesses, and organizations of our community.

We will achieve this through our commitment to:

- Consistent and superior quality service for our customers.
- A culture that incents employees to excel personally and professionally.
- Leadership in and support for our community.
- Independence as a local community bank.

Elmira
Savings Bank
The People's Bank

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BEST BANKS
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DESIGN PS Graphic Design
BOARD OF DIRECTORS PHOTOGRAPHY Tom Mike Photography
BUSINESS PROFILES/COVER PHOTOGRAPHY Frank Borkowski
VESTAL BRANCH PHOTO Frank Spena

SELECTED FINANCIAL DATA

(in thousands, except share and per share amounts)

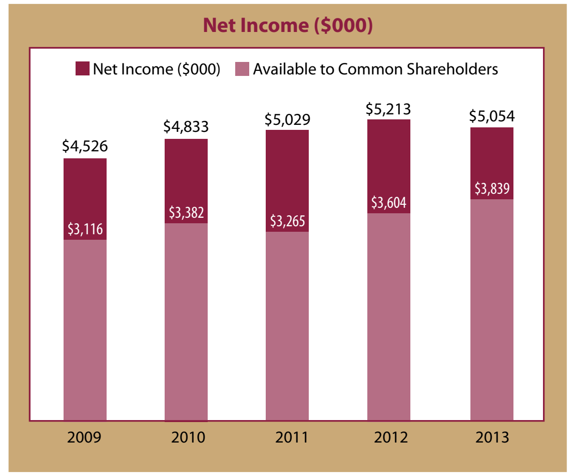
FINANCIAL STATEMENT HIGHLIGHTS	2013	2012
Assets	$ 514,325	536,936
Loans (including loans held for sale)	390,976	381,275
Allowance for loan losses	3,834	3,740
Deposits	397,733	409,565
Shareholders' equity	54,025	66,909
Net interest income	15,053	15,089
Provision for loan losses	315	463
Non-interest income	5,557	6,050
Non-interest expense	13,862	12,944
Net income attributable to Elmira Savings Bank	5,054	5,213

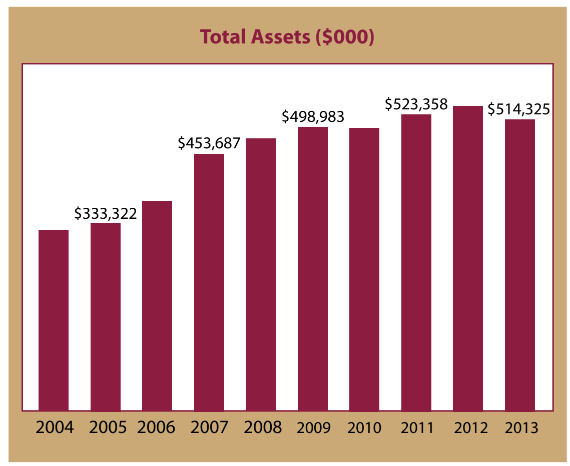
PER SHARE INFORMATION		
Basic earnings per share	$ 1.47	1.44
Diluted earnings per share	1.40	1.37
Book value per share	16.64	16.76
Cash dividend per share	0.84	0.77

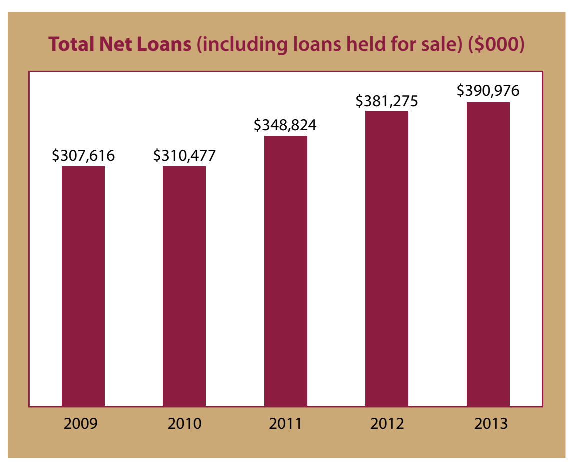
SELECTED RATIOS		
Return on average assets	0.97%	0.99%
Return on average equity	8.51%	7.92%
Shareholders' equity to assets	10.50%	12.46%
Dividend payout ratio	57.14%	53.16%
Efficiency ratio	67.26%	61.23%

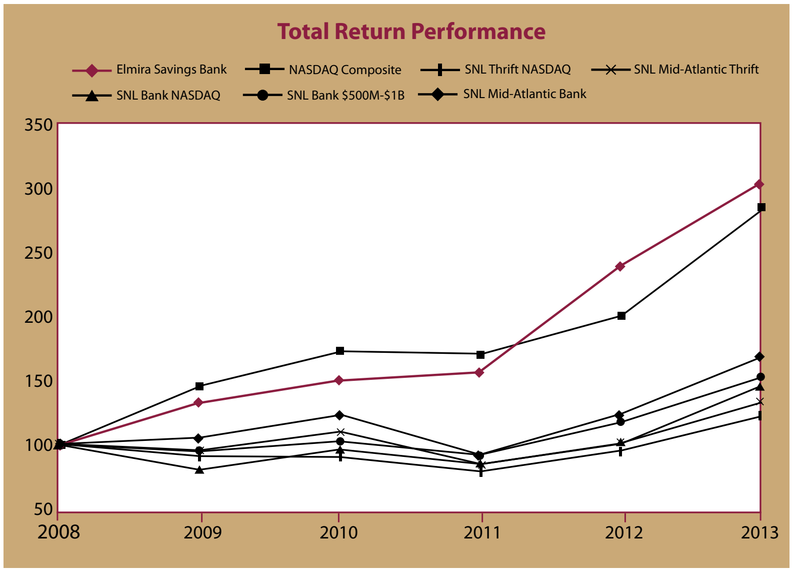
OTHER SELECTED DATA		
Number of offices	15	14
Number of automated teller machines	13	12
Weighted average shares outstanding	2,617,073	2,505,300
Weighted average diluted shares outstanding	2,745,934	2,628,139

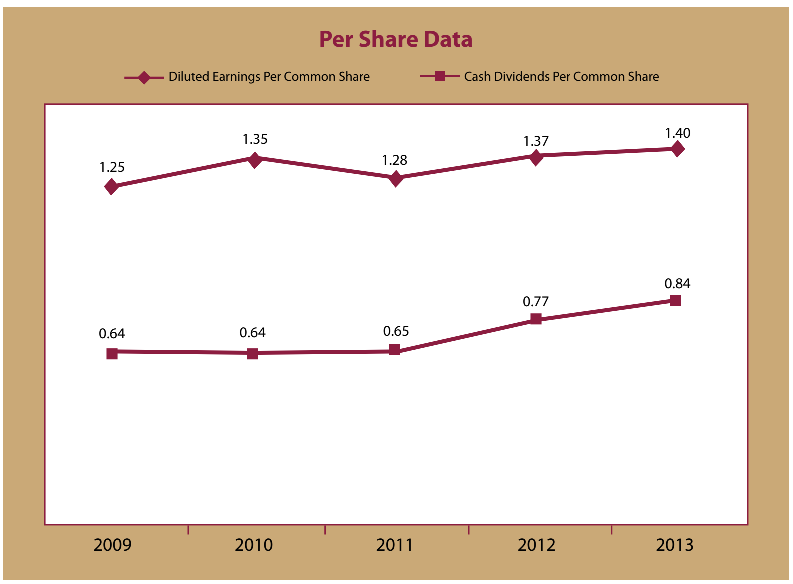
Share and per share data have been adjusted to reflect the 10% stock dividend distributed December 27, 2013.

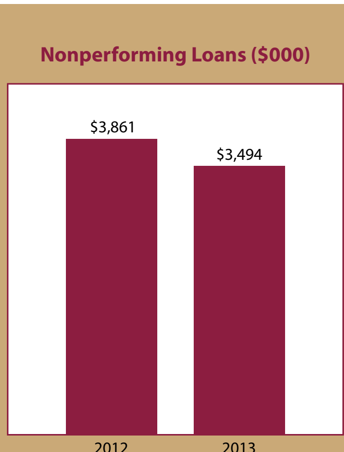


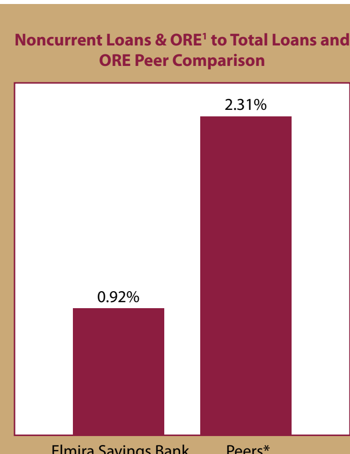












[1] Noncurrent loans and ORE includes loans past due 90 days or more, nonaccrual loans, and other real estate owned
*Peer group is FDIC-insured banks with assets of $300 million to $1 billion

LETTER TO SHAREHOLDERS,

It is with great pleasure that we report on our accomplishments of the past year to you, our loyal shareholders. During 2013, your Bank achieved net income of $5.1 million and earnings per share of $1.40 for the year. We expanded our full-service branch network into Erwin, New York, and expanded our loan origination offices into Broome County, New York. Through prudent capital management practices, we were able to retire $14.1 million of preferred stock shares that were issued through the Small Business Lending Fund. Our asset quality remained exceptionally strong. Our mortgage loan production exceeded $125 million and our total loan production exceeded $165 million. Lastly, and perhaps most rewarding, our Bank was named as the 19th "Best Bank to Work For" in The American Banker's annual survey.

Net income for 2013 was $5.1 million, slightly below 2012 net income of $5.2 million. Due to our retirement of $14.1 million of preferred shares, our net income to common shareholders and diluted earnings per common share increased to $3.8 million and $1.40 in 2013, from $3.6 million and $1.37 in 2012.

Our net interest income was stable at $15.1 million; our noninterest income was $5.6 million versus $6.1 million in 2012 due to lower mortgage loan sales. Our operations expenses were $1.0 million above last year's level totaling $13.9 million in 2013. This increase is primarily attributable to our branch network and loan production office expansion, combined with increasing our resources dedicated to regulatory compliance. These unfavorable variances were largely offset by a decrease in income taxes of $1.1 million and a decrease in our provision for loan losses of $148,000.

We are very pleased with the market performance of our common stock. We ended 2012 with a per share price of $20.68. During 2013, we paid $.84 per share in cash dividends which equals a dividend yield of 4%. We also issued a 10% stock dividend in

December and ended the year trading at $25.20, resulting in a total return of 26% for our shareholders.

The retirement of the preferred shares issued through the Small Business Lending Fund was accomplished by accumulating earnings, net of dividends, over the past five years of $8.3 million, while controlling our balance sheet growth through replacing investments with loans and replacing borrowed funds with deposits. These two factors allowed us to reduce our preferred equity by $14.1 million during the year and associated annual dividends by $700,000, while maintaining a core capital ratio of 8.39% and a risk-based capital ratio of 14.50% as of December 31, 2013.

Our asset quality has remained consistently strong throughout the last several years of economic recession. Our nonperforming loans totaled $3.5 million or .9% of total loans at December 31, 2013 compared to $3.9 million or 1.02% at December 31, 2012. Our delinquent loans were .26% of total loans on December 31, 2013 compared to .21% on December 31, 2012, well below our peers.

In January 2013, we opened our second full-service branch in Steuben County, New York. Our new facility is located in Erwin, New York, a neighboring community of Corning, New York. We are very pleased with our progress in Steuben County and are especially proud of being able to expand into a growing community with a convenient location which includes a drive-thru facility. During 2013, we accumulated over $5.0 million of deposits in our Erwin location, bringing our Steuben County deposits to over $43 million.

In the third quarter of 2013, we opened a loan production office on the Vestal Parkway in Vestal, New York. This location will primarily focus on residential mortgages, but will also provide us access to commercial lending customers as well. In 2012, Broome County, New York, had over $250 million of recorded mortgages. Our new location provides us with access to business in Broome County, as well as surrounding markets in New York and Pennsylvania.

At the annual meeting in April of last year, the Bank began a leadership transition with Michael P. Hosey assuming the role of Vice Chairman of the Board of Directors, while maintaining the role of Chief Executive Officer. The role of President was assumed by Thomas M. Carr while he maintained his responsibilities as Chief Operating Officer.

Additionally during 2013, we realigned responsibilities of two senior officers of the Bank, while adding a vice president responsible for overall bank compliance. These changes have strengthened our organization and provided additional resources that will allow us to continue to grow in the future.

In September 2013, the Bank was honored by being named the 19th "Best Bank to Work For" in the *The American Banker's* annual assessment of the nation's community banks. This award is a credit to Bank leadership, management, and most importantly, the staff of Elmira Savings Bank, who collectively create an environment

that is welcoming, caring, but results-oriented, and has been a primary driver of our financial and organizational success.

As we look forward into 2014 and beyond, we are focused on growing our core customer base in our new markets, continuing to create new customer relationships in all of our markets, maintenance of our net interest margin, asset quality, capital levels, and efficiency, all of which will allow us to provide consistent returns to our loyal shareholders.

Thomas M. Carr

Thomas M. Carr
President
Chief Operating Officer

Michael P. Hosey

Michael P. Hosey
Vice Chairman of the Board
Chief Executive Officer

Consolidated Balance Sheets

Elmira Savings Bank and Subsidiaries

(in thousands, except for share and per share data)	December 31, 2013	December 31, 2012
ASSETS		
Cash and due from banks	$ 7,077	$39,641
Federal funds sold and other short-term investments	564	684
Total cash and equivalents	7,641	40,325
Securities available for sale, at fair value	63,464	66,875
Securities held to maturity - fair value of $8,302 at December 31, 2013, and $5,853 at December 31, 2012	7,805	5,521
Federal Reserve and Federal Home Loan Bank (FHLB) stock, at cost	10,417	9,178
Loans held for sale	1,847	3,167
Loans receivable	389,129	378,108
Less: Allowance for loan losses	3,834	3,740
Net loans	385,295	374,368
Premises and equipment, net	8,620	7,947
Bank-owned life insurance	12,387	11,988
Accrued interest receivable	1,454	1,529
Intangible assets, net	210	316
Goodwill	12,320	12,320
Other assets	2,865	3,402
Total assets	**$ 514,325**	**$ 536,936**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	$ 397,733	$ 409,565
Borrowings	56,500	54,000
Other liabilities	6,067	6,462
Total liabilities	**460,300**	**470,027**
SHAREHOLDERS' EQUITY		
Preferred stock, $1,000 liquidation value per issued share; 5,000,000 shares authorized; 10,000 shares issued at December 31, 2013 and 24,063 shares issued at December 31, 2012	9,700	23,763
Common stock, $1 par value; authorized 5,000,000 shares; 2,776,240 shares issued at December 31, 2013 and 2,454,840 at December 31, 2012	2,776	2,455
Additional paid-in capital	41,693	41,448
Retained earnings	2,485	868
Treasury stock, at cost - 116,268 shares at December 31, 2013 and 125,865 shares at December 31, 2012	(3,327)	(3,548)
Accumulated other comprehensive income	644	1,872
Total Elmira Savings Bank shareholders' equity	53,971	66,858
Noncontrolling interest	54	51
Total shareholders' equity	**54,025**	**66,909**
Total liabilities and shareholders' equity	**$ 514,325**	**$ 536,936**

Consolidated Statements of Income

Elmira Savings Bank and Subsidiaries

(in thousands, except for per share amounts)	Years Ended December 31 2013	2012	2011
INTEREST AND DIVIDEND INCOME			
Interest and fees on loans	$ 17,733	$ 18,114	$ 18,140
Interest and dividends on securities			
Taxable	1,744	2,111	3,140
Non-taxable	776	760	820
Total interest and dividend income	**20,253**	**20,985**	**22,100**
INTEREST EXPENSE			
Interest on deposits	3,224	3,712	3,850
Interest on borrowings	1,976	2,184	2,700
Total interest expense	**5,200**	**5,896**	**6,550**
Net interest income	15,053	15,089	15,550
Provision for loan losses	315	463	668
Net interest income after provision for loan losses	**14,738**	**14,626**	**14,882**
NONINTEREST INCOME			
Service fees	1,357	1,242	1,236
Gain on sale of loans held for sale	3,007	3,561	1,836
Net gain on sale of securities	61	75	448
Other service fees	660	677	634
Earnings on bank-owned life insurance	399	388	369
Other	73	107	204
Total noninterest income	**5,557**	**6,050**	**4,727**
NONINTEREST EXPENSE			
Salaries and benefits	7,382	6,770	6,491
Net occupancy	1,259	1,130	1,154
Equipment	1,022	946	854
Marketing and public relations	676	722	636
Professional fees	674	643	513
Other	2,849	2,733	2,554
Total noninterest expense	**13,862**	**12,944**	**12,202**
Income before income taxes	6,433	7,732	7,407
Income taxes	1,374	2,514	2,373
Net income	5,059	5,218	5,034
Less: Net income attributable to noncontrolling interest	5	5	5
Net income attributable to Elmira Savings Bank	**$ 5,054**	**$ 5,213**	**$ 5,029**
Dividend on preferred stock	1,215	1,609	1,512
Accretion of preferred stock discount	-	-	252
Income available to common shareholders	**$ 3,839**	**$ 3,604**	**$ 3,265**
Basic earnings per common share	$ 1.47	$ 1.44	$ 1.32
Diluted earnings per common share	$ 1.40	$ 1.37	$ 1.28

Per share data has been restated to reflect a 10% stock dividend paid on December 27, 2013 and a 5% stock dividend paid on December 28, 2012.

Consolidated Statements of Comprehensive Income

Elmira Savings Bank and Subsidiaries

(in thousands)	Years Ended December 31, 2013	2012	2011
Net income	**$ 5,054**	**$ 5,213**	**$ 5,029**
OTHER COMPREHENSIVE INCOME (LOSS):			
Net unrealized holding gains (losses) on securities available for sale	(1,943)	-	2,014
Tax benefit (expense)	753	-	(779)
	(1,190)	-	1,235
Realized securities gains included in net income	(61)	(75)	(448)
Tax expense	23	29	173
	(38)	(46)	(275)
Other comprehensive income (loss), net of tax	**(1,228)**	**(46)**	**960**
Comprehensive income	**$ 3,826**	**$ 5,167**	**$ 5,989**

Consolidated Statements of Shareholders' Equity

Elmira Savings Bank and Subsidiaries

(in thousands, except for share and per share amounts)	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated other comprehensive income	Noncontrolling Interest	Total
Balance at December 31, 2012	**$ 23,763**	**2,455**	**41,448**	**868**	**(3,548)**	**1,872**	**51**	**66,909**
Net income	-	-	-	5,054	-	-	5	5,059
Other comprehensive loss	-	-	-	-	-	(1,228)	-	(1,228)
10% stock dividend (241,493 shares)	-	242	(242)	-	-	-	-	-
Cash in lieu of fractional shares resulting from a 10% stock dividend	-	-	-	(9)	-	-	-	(9)
Stock based compensation expense	-	-	301	-	-	-	-	301
Issuance of common shares (6,382 shares)	-	6	(6)	-	-	-	-	-
Exercise of stock options, net (73,525 shares)	-	73	196	-	-	-	-	269
Preferred stock redemption (14,063 shares)	(14,063)	-	-	-	-	-	-	(14,063)
Issuance of treasury stock (9,597 shares)	-	-	(4)	-	221	-	-	217
Preferred stock repurchased noncontrolling interest	-	-	-	-	-	-	(2)	(2)
Preferred stock issued noncontrolling interest	-	-	-	-	-	-	5	5
Cash dividend on preferred stock	-	-	-	(1,215)	-	-	(5)	(1,220)
Cash dividend on common stock ($.84 per share)	-	-	-	(2,213)	-	-	-	(2,213)
Balance at December 31, 2013	**$ 9,700**	**2,776**	**41,693**	**2,485**	**(3,327)**	**644**	**54**	**54,025**

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

To the Board of Directors and Shareholders of Elmira Savings Bank and Subsidiaries

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Elmira Savings Bank and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows (not presented herein), for each of the three years in the period ended December 31, 2013, and in our report dated March 18, 2014, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

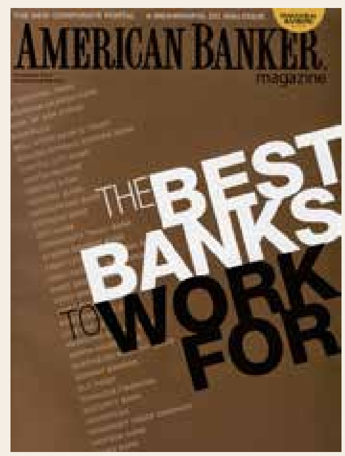
S.R. Snodgrass P.C.

Wexford, Pennsylvania
March 18, 2014

AMERICAN BANKER
BEST BANKS TO WORK FOR 2013

Elmira Savings Bank was listed among *American Banker Magazine's* top best banks to work for in 2013. "The best of them, as determined by the rankings compiled by *American Banker Magazine*, offer competitive pay and benefits, but also strive to engage and motivate employees in less tangible ways."

With 124 employees, ESB offers many windows of opportunity to its staff in terms of advancement, professional development and a rewarding environment in which to work.



Elmira Savings Bank opens a new loan center in Vestal, NY.

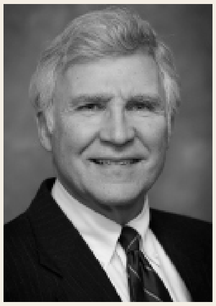
Elmira Savings Bank
The People's Bank

The Centerway Commerce building, located at 5 East Market Street, Corning, NY, is a historic 4-story, 17,000 square foot office building that is owned by George and Elizabeth Welch. The Bank partnered with the Welch's in 2013 to fully renovate and modernize the entire building, while maintaining the building's historical nature. The project was completed utilizing traditional financing, as well as historic tax credits.

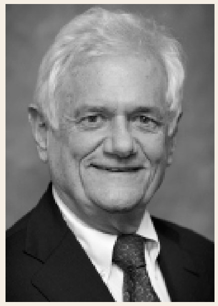
The Timemon Office Park, an 8,100 square foot professional office building, was constructed at 2430 North Triphammer Road, Lansing, NY, in 2013 by Robert R. Colbert, Jr. The Bank was relied upon to provide construction financing for this modern office complex.

In July 2013, John Mills Electric, Inc., led by President Lindsay T. Mills, erected a 1,600 square foot building at 1836 Grand Central Avenue, Elmira Heights, NY, that is used to fabricate and house electrical conduit used on their job sites. The Bank was pleased to be able to provide the financing for this facility that allows the company to maintain a competitive advantage.

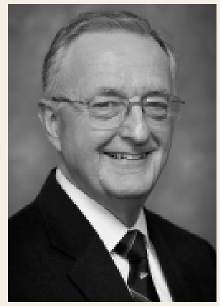
ELMIRA SAVINGS BANK BOARD OF DIRECTORS



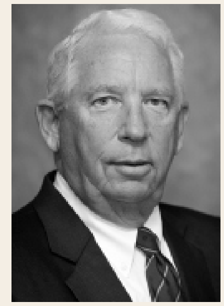
John R. Alexander
Corporate Secretary of the Board
Managing Partner, Sayles & Evans



John Brand, III
Chairman of the Board
Chairman, Arnot Realty Corporation

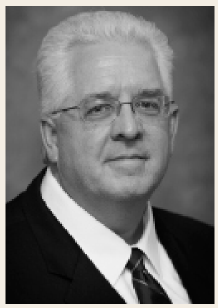


Anthony J. Cooper
Retired President
Arnot Health



A. Scott Welliver
Chairman
Chief Executive Officer
Welliver McGuire, Inc.

Kristin A. Swain
Executive Director
Rockwell Museum of Western Art



Michael P. Hosey
Vice Chairman of the Board
Chief Executive Officer
Elmira Savings Bank

Donald G. Quick, Jr.
Retired Partner
Mengel, Metzger, Barr & Co. LLP

Thomas M. Carr
President
Chief Operating Officer
Elmira Savings Bank

Katherine H. Roehlke
President
Chief Executive Officer
F.M. Howell & Company

Arie J. van den Blink
Chairman
Chief Executive Officer
The Hilliard Corporation

Marianne W. Young
President
Market Street Trust Company

Robert K. Lambert
President
Chief Executive Officer
Arnot Health

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ELMIRA SAVINGS BANK OFFICERS

EXECUTIVE

Michael P. Hosey
Vice Chairman
Chief Executive Officer

Thomas M. Carr
President
Chief Operating Officer

Shirley A. Weigand
Assistant Secretary

AUDIT AND CONTROL

Joseph P. Klaiber
Vice President
Compliance Officer

Edith B. Keebler
Assistant Vice President

Jill M. McConnell
Assistant Secretary

COLLECTIONS

Tricia Rennells
Assistant Vice President

FINANCE

Jason T. Sanford
Senior Vice President
Chief Financial Officer

John J. Stempin
Assistant Secretary

Judy A. Woodruff
Assistant Secretary

HUMAN RESOURCES

Bradley V. Serva
Vice President

Stacy Ward
Assistant Secretary

LENDING

Kevin J. Berkley
Executive Vice President

Gary O. Short
Senior Vice President

Tamara S. Pabis
Vice President

Christopher Mekos
Vice President

Susan M. Cook
Assistant Vice President

Carrie L. Spencer
Assistant Vice President

Amy Ward
Assistant Vice President

Jennifer M. Murphy
Assistant Secretary

MANAGEMENT INFORMATION SYSTEMS

Joseph L. Walker
Vice President

Phillip J. Collins
Assistant Vice President

OPERATIONS

Margaret A. Phillips
Vice President

Frank P. Spena, Jr.
Assistant Vice President

RETAIL SERVICES

Donna J. Tangorre
Senior Vice President

Deborah L. Adams
Assistant Vice President

Kimberly A. Elliott
Assistant Vice President

John Strong
Assistant Vice President

Janette Allen
Assistant Treasurer

Patricia L. Cobb
Assistant Treasurer

Theresa A. Emo
Assistant Treasurer

Lorenda D. Gneo
Assistant Treasurer

Phylis A. Jensen
Assistant Treasurer

Debra S. Knowles
Assistant Treasurer

Sara J. Meisner
Assistant Treasurer

Renee A. Wheeler
Assistant Secretary

ADVISORY SERVICES, INC.

Vincent Mazzarella
Vice President

MARKET PRICE INFORMATION

The Bank's common stock was first offered in March 1985, and is now listed on the NASDAQ exchange under the symbol ESBK. The table below summarizes the high and low market price for the Bank's stock during 2013 and 2012.

Quarters	2013		2012	
	High	Low	High	Low
First	23.05	20.67	18.93	14.05
Second	23.93	18.18	18.60	15.30
Third	22.73	19.30	17.31	15.91
Fourth	28.45	20.15	21.50	16.80

ANNUAL SHAREHOLDERS' MEETING

The Annual Shareholders' Meeting will be held at 10 a.m.
on April 22, 2014 at the Clemens Center
207 Clemens Center Parkway, Elmira, NY 14901

SHAREHOLDER INQUIRIES

The Bank's transfer agent is:
Registrar and Transfer Company
10 Commerce Drive, Cranford, NJ 07016
(800) 525-7686

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The Bank's Annual Report on Form 10-K will be furnished without charge upon written request to:
Thomas M. Carr
President/Chief Operating Officer
Elmira Savings Bank
333 E. Water Street, Elmira, NY 14901

ELMIRA SAVINGS BANK LOCATIONS

MAIN OFFICE
333 East Water Street
Elmira, NY 14902-9967
607-734-3374

HORSEHEADS
2149 Grand Central Avenue
Horseheads, NY 14845
607-734-3374

SOUTHPORT
1136 Pennsylvania Avenue
Elmira, NY 14904
607-734-3374

WEST ELMIRA
930 West Church Street
Elmira, NY 14905
607-734-3374

BIG FLATS
971 County Route 64
Big Flats, NY 14841
607-734-3374

ELMIRA HEIGHTS
2075 Lake Road
Elmira Heights, NY 14903
607-734-3374

CORNING
19 East Market Street, Suite 101
Corning, NY 14830
607-962-0812

ERWIN
404 S. Hamilton Street
Painted Post, NY 14870
607-936-1806

ITHACA LOAN CENTER
301 East State Street
Ithaca, NY 14850
607-257-3584

COMMONS
301 East State Street
Ithaca, NY 14850
607-272-1111

SOUTH MEADOW
702 South Meadow Street
Ithaca, NY 14850
607-272-2211

TRIPHAMMER
2300 North Triphammer Road
Ithaca, NY 14850
607-257-8808

MORAVIA
142 Main Street
Moravia, NY 13118
315-497-1300

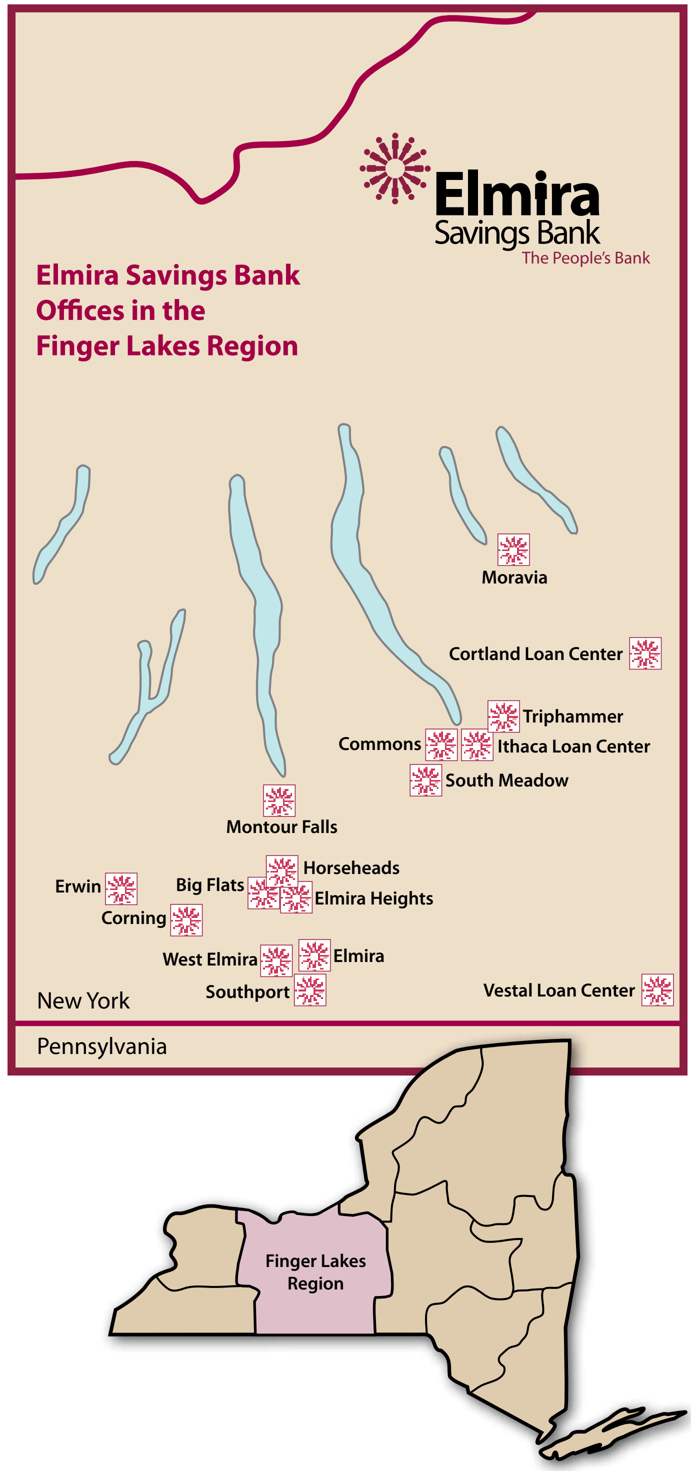
MONTOUR FALLS*
401 West Main Street, Suite 110
Montour Falls, NY 14865
607-535-4026

CORTLAND LOAN CENTER*
77 South West Street
Homer, NY 13077
607-749-7251

VESTAL LOAN CENTER
3439 Vestal Parkway E.
Vestal, NY 13850
607-729-0386

ARNOT MALL ATM
Entrance 4 - Center Court
Horseheads, NY 14845
607-734-3374

*ATM available at all locations except for the Montour Falls Office, Cortland Loan Center and Vestal Loan Center.



Elmira
Savings Bank
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AMERICAN BANKER
BEST BANKS
TO WORK
FOR 2013

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Member FDIC | Equal Housing Lender