



The people's bank

est. 1869

ANNUAL REPORT
2019



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ELMIRA SAVINGS BANK Board of Directors

(Front row l-r) *John R. Alexander*, Vice Chairman and Corporate Secretary of the Board & Managing Partner, Sayles & Evans;
Thomas J. Gough, President, Gough Holding Corporation; *Katherine H. Roehlke*, President & Chief Executive Officer, F.M. Howell & Company;
Donald G. Quick, Jr., Retired Partner, Mengel, Metzger, Barr & Co. LLP.; *Kristin A. Swain*, Retired Executive Director, The Rockwell Museum.
(Back row l-r) *Arie J. van den Blink*, Chairman & Chief Executive Officer, The Hilliard Corporation; *Michael P. Hosey*, Chairman of the Board;
Marianne W. Young, Retired President & Chief Executive Officer, Market Street Trust Company; *Jodi J. Edger*, President, Edger Enterprises, Incorporated;
Thomas M. Carr, President & Chief Executive Officer; *A. Scott Welliver*, Chairman & Chief Executive Officer, Welliver.



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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 Senior Officers

(Left to right):

Jason T. Sanford, Senior Vice President & Chief Financial Officer

Thomas M. Carr, President & Chief Executive Officer

Donna J. Tangorre, Senior Vice President & Retail Banking Manager

Kevin J. Berkley, Executive Vice President & Senior Loan Officer



Thomas M. Carr
President & Chief Executive Officer

TO OUR SHAREHOLDERS

I am pleased to report that the Bank had many accomplishments in 2019. Several of these achievements represent the first time we have reached certain milestones. Total assets were \$607 million, total deposits were \$512 million, and total loans were \$519 million as of December 31, 2019. This was the first time the Bank exceeded \$600 million in total assets and \$500 million in total deposits and total loans. Assets increased by \$17 million, or 3%, year to year, while total deposits increased by 4%, or \$21 million. Total loans increased by \$37 million, or 8%. Commercial loan originations totaled \$40.5 million for 2019, a record level of commercial originations. This was

an increase of \$5.6 million, or 16%. This origination level increased our commercial loan portfolio by \$10.1 million to total \$143 million as of December 31, 2019.

Our mortgage loan originations totaled \$112 million for 2019, an increase of \$31 million, or 38%, over the previous year. This increase in originations was due, in part, to a Bank-wide effort to increase production. The residential mortgage portfolio increased by \$21.9 million year over year due to the success of our Bank-wide effort.

We are pleased with our deposit growth of \$21 million, or 4%, which is the second consecutive year we achieved deposit growth at a higher pace than many of our peers.

This past year was a challenging year for the Bank as earnings and share price trended lower. Net income was \$3.5 million for 2019, 18% lower than the previous year. This reduction is attributable to higher provision expense and an increase in operating expense from the previous year.

Provision expense was \$744,000 for 2019 as compared to the prior year level of \$367,000. This increase in provision expense is attributable primarily to the increase in the loan portfolio, combined with an increase in net charge offs for the year.

Operating expense totaled \$16.3 million in 2019, an increase of \$788,000 from the prior year. This increase is due to a \$449,000 increase in salaries and benefits and a \$324,000 increase in marketing and public relations expense. The increases in salary and benefit

expense are due, in part, to high loan volumes, which resulted in higher compensation expense. In addition, the Bank experienced an increase in healthcare expense.

During the second half of 2019, Management implemented several strategies to enhance profitability in 2019 and into the future. We continue to be focused on improving our profitability in 2020 and are continuing to make changes to increase our earnings.

In 2019, we commemorated the 150th anniversary of the Bank's charter by hosting events in each market with the 150th anniversary as the theme. Our marketing message accentuated the 150th anniversary and we published a historical account of the Bank's first 150 years.

We welcomed two new members to our Board of Directors during the year. Joining the Board were Thomas J. Gough, President of Gough Holding Corporation and Jodi J. Edger, President, Edger Enterprises Inc. We are proud to have Mr. Gough and Mr. Edger as part of our team and look forward to their contributions.

As we continue to look forward, we are committed to fulfilling our mission as a regional community bank. We appreciate our many loyal and dedicated shareholders. We are focused on improving profitability and creating shareholder value.

Thomas M. Carr
President and
Chief Executive Officer

ELMIRA SAVINGS BANK EMPLOYEES

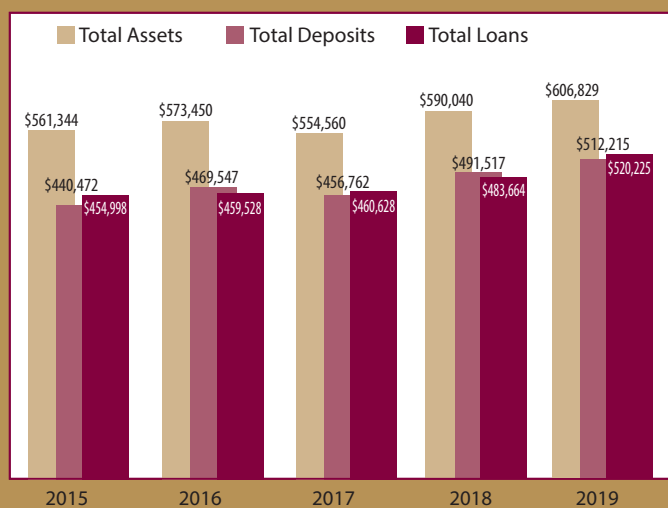


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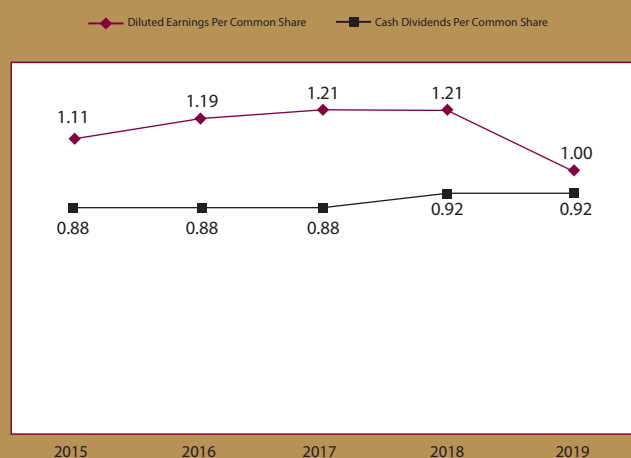
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Christina Allen	Valerie Friedrich	Sarah Parker
Nicholas Antczak	Amy Frisbie	Eileen Payne
Shannon Bailey	Patricia Frisbie	Margaret Phillips
Dwayne Balcom	Shawna Fullmer	James Pollen
Kathleen Bange	Christopher Giammichele	Michael Price
Nicole Battin	Ilene Girardi	Jacob Queener
Blair Beavers	Lorenda Gneo	Laura Reynolds
Mary Becker	Mario Gonzalez-Ayon	April Roberts
Joyelle Briggs	Meggie Hall	Deborah Rockwell
Marilynne Burchard	Kristin Haner	Sharla Root
Kadison Byrnes-Shaver	Robert Hazelton	Denise Sarro
Kimberly Card	Brittany Hernandez	Youngmi Schickel
Rebecca Cartwright	Brooke Hockeborn	Bethany Schroeder
Janet Caswell	Malissa Hootman	Ashley Schultz
Jennifer Catron	Rachel Houseknecht	Meredith Schutt
Jacqueline Cecce	Margaret Hurd	Taryn Schwartz
Craig Charron	Danielle Kehoe	BriAnn Schweitzer
Brenda Cimakasky	William Klinko	Brad Serva
Mandie Close	Joshua Knoll	Gary Short
Jessica Coates	Debra Knowles	Dawn Siglin
Brianna Cochran	Theresa Laney	Mark Simon
Eugenia Cole	Anne Lavancher	Karen Slusser
Phillip Collins	Ellaminda Leader	Christine Snyder
Linda Confer	Shaina Leister	Frank Spena
Ashley Congdon	Christina Losey	Carrie Spencer
Susan Cook	Trisha Luchaco	John Stempin
Michele Corby	Colleen Manuel	John Strong
Kristie Cummings	Aimee Marshall	Desirea Sullivan
Eric Dejesus	Julie May	Ashley Tallarida
Keri Disidoro	Jill McConnell	Erin Thomas-Allen
Tina Dittler	Lindsey McCutcheon	Jenara Towner
Stacy Doane	Cherry Merrill	Joseph Walker
Pamela Donovan	Kala Mitchell	Suzanne Walsh
Nicholas Dutcher	Kassandra Moore	Stacy Ward
Cory Eddy	Katie Mosher	Olivia West
April Eggleston-Branston	Haley Mullins	Renee Wheeler
JoAnn Eldred	Katie Murphy	Tracy Wiles
Kimberly Elliott	Jennifer Murphy	Jennifer Wood
Kelly Ewanyk	Jessica Ober	Judy Woodruff
Shanna Flint	Kimberly O'Dell	Stacy Woodworth
Deborah French	Leah O'Neil	

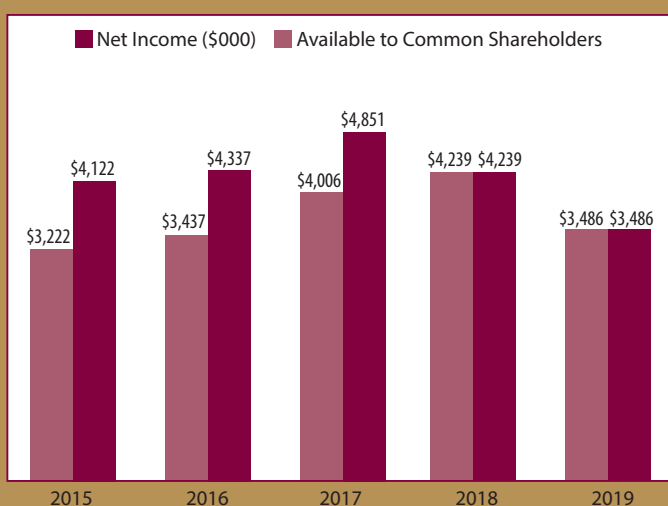
Assets, Deposits, and Loans (\$000)



Per Share Data



Net Income (\$000)



SELECTED FINANCIAL DATA

(in thousands, except share and per share amounts)

FINANCIAL STATEMENT HIGHLIGHTS	2019	2018
Assets	\$ 606,829	590,040
Loans (including loans held for sale)	520,225	483,664
Allowance for loan losses	4,576	4,372
Deposits	512,215	491,517
Shareholders' equity	58,611	57,949
Net interest income	16,428	16,570
Provision for loan losses	744	367
Non-interest income	4,773	4,518
Non-interest expense	16,277	15,489
Net income	3,486	4,239

PER SHARE INFORMATION

Basic earnings per share	\$ 1.00	1.22
Diluted earnings per share	1.00	1.21
Book value per share	16.67	16.52
Cash dividend per share	0.92	0.92

SELECTED RATIOS

Return on average assets	0.57%	0.75%
Return on average equity	5.93%	7.36%
Shareholders' equity to assets	9.66%	9.82%
Dividend payout ratio	92.00%	75.41%
Efficiency ratio	76.77%	73.45%

OTHER SELECTED DATA

Number of offices	12	14
Number of automated teller machines	13	14
Weighted average shares outstanding	3,495,089	3,479,916
Weighted average diluted shares outstanding	3,500,123	3,494,218

Share and per share data have been adjusted to reflect the 5% stock dividend paid on June 15, 2018.

Consolidated Balance Sheets

Elmira Savings Bank and Subsidiaries

(in thousands, except for share and per share data)

December 31,
2019

December 31,
2018

ASSETS

Cash and due from banks	\$	11,954	\$	19,429
Federal funds sold and other short-term investments		92		94
<hr/>				
Total cash and equivalents		12,046		19,523
Securities available for sale, at fair value		11,802		25,051
Securities held to maturity - fair value \$7,233 at December 31, 2019 and \$7,638 at December 31, 2018		7,018		7,518
Federal Reserve and Federal Home Loan Bank (FHLB) stock, at cost		9,944		9,462
Loans held for sale		1,354		1,392
Loans receivable		518,871		482,272
Less: Allowance for loan losses		4,576		4,372
<hr/>				
Net Loans		514,295		477,900
Premises and equipment, net		16,210		16,846
Bank-owned life insurance		14,919		14,444
Accrued interest receivable		1,625		1,566
Goodwill		12,320		12,320
Other assets		5,296		4,018
<hr/>				
Total assets		\$ 606,829		\$ 590,040

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits	\$	512,215	\$	491,517
Borrowings		29,000		31,000
Other liabilities		7,003		9,574
<hr/>				
Total liabilities		548,218		532,091

SHAREHOLDERS' EQUITY:

Preferred stock, \$1 par value; \$1,000 liquidation value per issued share; 5,000,000 shares authorized; 10,000 shares issued at December 31, 2019 and December 31, 2018		9,700		9,700
Common stock, \$1 par value; authorized 5,000,000 shares; 3,606,089 shares issued at December 31, 2019 and 3,597,605 at December 31, 2018		3,606		3,598
Additional paid-in capital		53,993		53,784
Retained earnings		3,432		3,176
Treasury stock, at cost - 93,883 common shares and 10,000 preferred shares at December 31, 2019 and December 31, 2018		(12,202)		(12,202)
Accumulated other comprehensive income (loss)		32		(158)
<hr/>				
Total Elmira Savings Bank shareholders' equity		58,561		57,898
Noncontrolling interest		50		51
<hr/>				
Total shareholders' equity		58,611		57,949
<hr/>				
Total liabilities and shareholders' equity		\$ 606,829		\$ 590,040

Consolidated Statements of Income

Elmira Savings Bank and Subsidiaries

(in thousands, except for per share amounts)	Years Ended December 31		
	2019	2018	2017
INTEREST AND DIVIDEND INCOME			
Interest and fees on loans	\$ 21,857	\$ 19,569	\$ 18,971
Interest and dividends on securities			
Taxable	977	1,037	965
Non-taxable	427	472	610
Total interest and dividend income	23,261	21,078	20,546
INTEREST EXPENSE			
Interest on deposits	5,992	3,565	2,951
Interest on borrowings	841	943	1,047
Total interest expense	6,833	4,508	3,998
Net interest income	16,428	16,570	16,548
Provision for loan losses	744	367	895
Net interest income after provision for loan losses	15,684	16,203	15,653
NONINTEREST INCOME			
Service fees	1,399	1,456	1,485
Gain on sale of loans held for sale	1,830	1,588	2,701
Net gain on sale of securities	90	-	-
Other service fees	865	813	739
Earnings on bank-owned life insurance	385	384	390
Other	204	277	122
Total noninterest income	4,773	4,518	5,437
NONINTEREST EXPENSE			
Salaries and benefits	8,537	8,088	8,183
Net occupancy	1,562	1,596	1,499
Equipment	1,517	1,392	1,278
Marketing and public relations	1,060	736	884
Professional fees	574	541	720
Other	3,027	3,136	3,320
Total noninterest expense	16,277	15,489	15,884
Income before income taxes	4,180	5,232	5,206
Income taxes	689	988	350
Net income	3,491	4,244	4,856
Less: Net income attributable to noncontrolling interest	5	5	5
Net income attributable to Elmira Savings Bank	\$ 3,486	\$ 4,239	\$ 4,851
Dividend on preferred stock	-	-	845
Income available to common shareholders	\$ 3,486	\$ 4,239	\$ 4,006
Basic earnings per common share	\$ 1.00	\$ 1.22	\$ 1.22
Diluted earnings per common share	\$ 1.00	\$ 1.21	\$ 1.21

Per share data has been restated to reflect a 5% stock dividend paid on June 15, 2018.

Consolidated Statements of Comprehensive Income

Elmira Savings Bank and Subsidiaries

(in thousands)	Years Ended December 31,		
	2019	2018	2017
Net income	\$ 3,486	\$ 4,239	\$ 4,851
OTHER COMPREHENSIVE INCOME (LOSS)			
Net unrealized holding gains (losses) on securities available for sale	347	(163)	(20)
Tax (expense) benefit	(90)	42	8
	<u>257</u>	<u>(121)</u>	<u>(12)</u>
Realized securities gains included in net income	(90)	-	-
Tax expense	23	-	-
	<u>(67)</u>	<u>-</u>	<u>-</u>
Other comprehensive income (loss), net of tax	190	(121)	(12)
Comprehensive income	\$ 3,676	\$ 4,118	\$ 4,839

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 (Loss) Income	Noncontrolling Interest	Total
Balance at December 31, 2018	\$9,700	3,598	53,784	3,176	(12,202)	(158)	51	57,949
Net income	-	-	-	3,486	-	-	5	3,491
Other comprehensive income	-	-	-	-	-	190	-	190
Stock based compensation expense	-	-	216	-	-	-	-	216
Restricted stock grants (7,680 shares)	-	7	(7)	-	-	-	-	-
Exercise of stock options, net (804 shares)	-	1	-	-	-	-	-	1
Preferred stock repurchased - noncontrolling interest	-	-	-	-	-	-	(1)	(1)
Cash dividend on preferred stock	-	-	-	-	-	-	(5)	(5)
Cash dividend on common stock (\$0.92 per share)	-	-	-	(3,230)	-	-	-	(3,230)
Balance at December 31, 2019	\$ 9,700	3,606	53,993	3,432	(12,202)	32	50	58,611

Per share data has been restated to reflect the 5% stock dividend paid on June 15, 2018.

To the Board of Directors and Shareholders of Elmira Savings Bank

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, 2019 and 2018, and the related statements of income, comprehensive income, shareholders' equity, and cash flows (not presented herein) for each of the three years in the period ended December 31, 2019, and in our report dated March 16, 2020, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

S. R. Smodgrass, P. C.

Cranberry Township, Pennsylvania

March 16, 2020

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. This table summarizes the high and low market price for the Bank's stock during 2019 and 2018.

Quarters	2019		2018	
	High	Low	High	Low
First	19.09	16.32	19.95	19.19
Second	17.40	15.69	20.60	19.29
Third	16.40	13.97	21.00	20.10
Fourth	15.99	13.97	20.47	15.77



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ANNUAL SHAREHOLDERS' MEETING

The Annual Shareholders' Meeting will be held at 10:00 a.m. on April 28, 2020 at the Clemens Center, 207 Clemens Center Parkway, Elmira, NY 14901

SHAREHOLDER INQUIRIES

The Bank's transfer agent is:
Computershare, Inc.
Computershare Investor Services
PO Box 30170, College Station, TX 77842
(800) 368-5948

The Bank's Annual Report on Form 10-K will be furnished without charge upon written request to:

Thomas M. Carr
President & Chief Executive Officer
Elmira Savings Bank
333 E. Water Street, Elmira, NY 14901

ELMIRA SAVINGS BANK LOCATIONS



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MAIN OFFICE

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

STATE STREET

602 West State Street
Ithaca, NY 14850
607-272-1111

BINGHAMTON LOAN CENTER

84 Court Street
Binghamton, NY 13901
607-729-0386

HORSEHEADS

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

SOUTH MEADOW

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

WATKINS GLEN

712 North Franklin Street
Watkins Glen, NY 14891
607-535-4108

SOUTHPORT

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

TRIPHAMMER

2300 North Triphammer Road
Suite 5
Ithaca, NY 14850
607-257-8808

ARNOT MALL ATM

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

WEST ELMIRA

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

MORAVIA

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

BIG FLATS

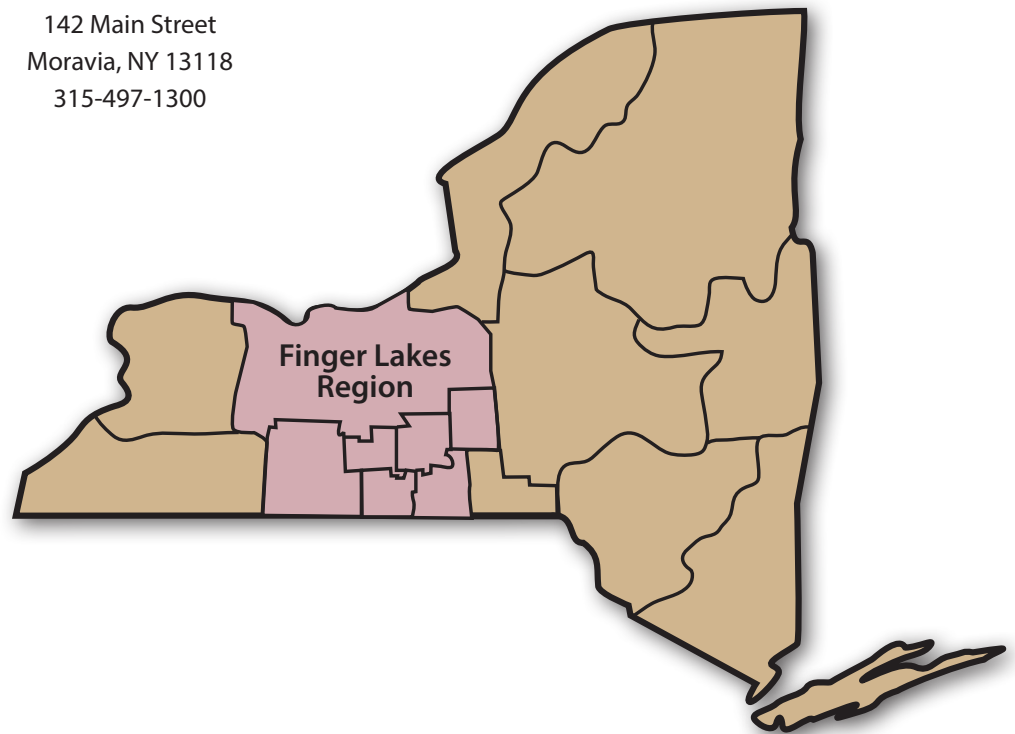
971 County Route 64
Elmira, NY 14903
607-734-3374

CORNING

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

ERWIN

404 South Hamilton Street
Painted Post, NY 14870
607-936-1806





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