



ELMIRA SAVINGS BANK, FSB



CUSIP 289660 10 2
SEE REVERSE FOR
CERTAIN DEFINITIONS



INCORPORATED UNDER THE LAWS
OF THE UNITED STATES OF AMERICA

THIS CERTIFIES THAT

is the registered holder of

FULLY PAID AND NONASSESSABLE SHARES OF THE COMMON STOCK, \$1.00 PAR VALUE, OF
ELMIRA SAVINGS BANK, FSB

transferable only on the books of the Bank upon surrender of this Certificate properly endorsed and only in accordance with the Charter of the Bank, copies of which are on file at the home office of the Bank, and applicable Federal regulations. This Security is not insured by The Federal Deposit Insurance Corporation. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

Dated:

EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER



PRESIDENT AND CHIEF EXECUTIVE OFFICER

2010
Annual Report



OUR MISSION

THE MISSION OF THE ELMIRA SAVINGS BANK, FSB 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.

DESIGN

PS Graphic Design
Elmira, NY

Selected Financial Data

(in thousands, except for per share amounts)

FINANCIAL STATEMENT HIGHLIGHTS

	2010	2009
Assets	\$ 499,839	498,983
Loans receivable	310,477	307,616
Allowance for loan losses	2,909	3,139
Deposits	356,621	352,591
Shareholders' equity	56,451	54,546
Net interest income	14,919	15,703
Provision for loan losses	515	592
Non-interest income	4,593	4,638
Non-interest expense	11,859	13,070
Net income attributable to Elmira Savings Bank	4,833	4,526

PER SHARE INFORMATION

Basic earnings per share	1.75	1.62
Diluted earnings per share	1.72	1.60
Book value per share	19.30	18.82
Cash dividend per share	0.80	0.80

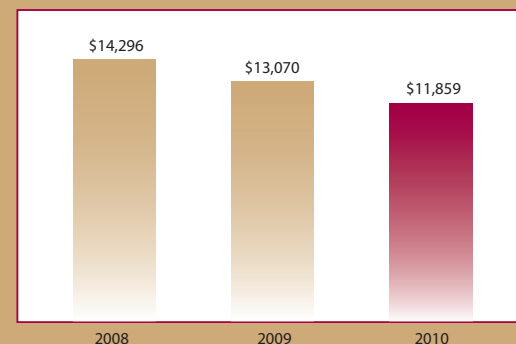
SELECTED RATIOS

Return on average assets	0.97%	0.91%
Return on average equity	8.62%	8.51%
Shareholders' equity to assets	11.29%	10.93%
Dividend payout ratio	45.71%	49.38%
Efficiency Ratio	60.78%	64.25%

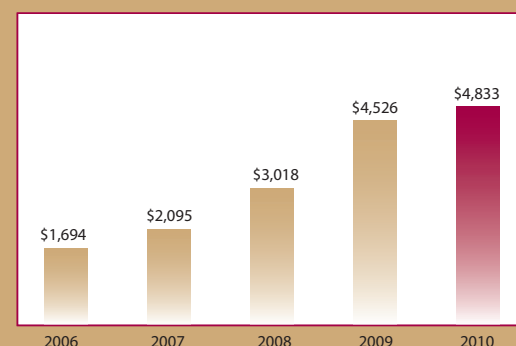
OTHER SELECTED DATA

Number of offices	13	12
Number of automated teller machines	10	10
Weighted average shares outstanding	1,932,995	1,918,116
Weighted average diluted shares outstanding	1,972,010	1,949,962

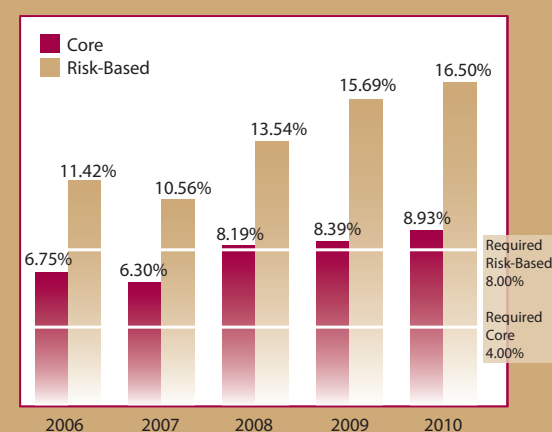
Non-interest Expense



Net Income (\$000)



Capital



To Our Shareholders

We are pleased to report on a successful year for the Elmira Savings Bank, FSB. We earned record net income of \$4.8 million which resulted in diluted earnings per common share of \$1.72. During the year our stock appreciated 9% from \$16.75 per share to \$18.25 per share and we paid \$.80 per share in dividends or 4.9% to our common shareholders.

The bank is financially strong. Our earnings, capital levels, liquidity, and credit quality compare favorably to our peers. We have paid a cash dividend for every quarter since 1986.

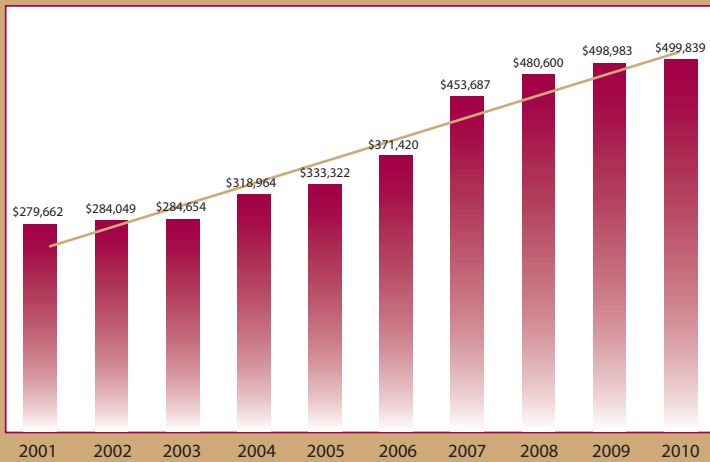
During 2010 we focused on improving capital levels, asset quality, and efficiency.

The improvement in capital levels was accomplished by increasing capital through retained earnings by \$1.8 million. In addition, we controlled balance sheet growth by replacing \$6.1 million of borrowed funds primarily with \$4.0 million of deposits and achieved modest loan growth of \$2.9 million by increasing our residential mortgage portfolio by \$21.9 million and reducing our consumer and business loan portfolios by \$8.1 million and \$11.3 million respectively. In 2010 the bank originated \$104.9 million of residential mortgages, \$11.9 million of which were originated through our branch network which historically has only originated consumer loans.

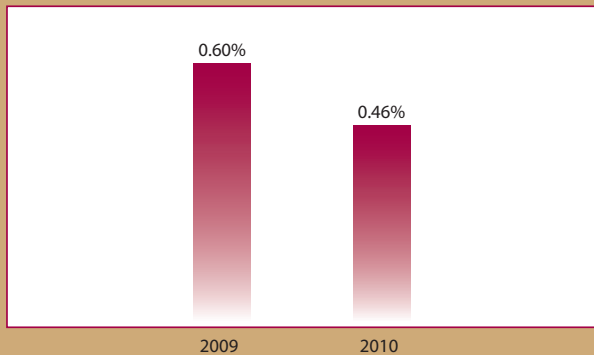
Our efforts in regards to improving asset quality were centered on improving our loan mix through growth in our residential loan portfolio and a reduction in our consumer and business loan portfolios. We also aggressively pursued reducing our loan delinquencies which resulted in our end of year delinquent loans being substantially below the year end levels from 2009, which themselves compared favorably to our peers.

Operating efficiency has traditionally been one of our biggest challenges and we are particularly proud of the progress we made during the year. We diligently monitored our net interest margin by selectively adding assets that met our yield requirements and by continually reducing our interest expense through reductions in our cost of deposits and modifying our funding mix. We maintained our noninterest income revenues by maintaining our mortgage originations through market expansion and better penetration of our mature markets through the addition of an experienced originator. We also maintained our deposit service fees through the successful adoption of the regulatory changes that required us to obtain customer approval to participate in our overdraft program.

Total Assets



**Loans 30 Days Delinquent
(as percentage of net loans)**



Efficiency Ratio



Finally, we continued to reduce our operating expenses primarily through salary reductions and reductions achieved through changes to our benefit plans. The results of these efforts are apparent in our efficiency ratio of 60.78% which is improved from 64.25% in 2009.

As we reach the end of the first decade of the 21st century and reflect on our institution's progress it is apparent that we have made tremendous progress.

We began the decade in 2001 with \$280 million in total assets with net income of \$2.3 million. We concluded the decade in 2010 with \$500 million in total assets and \$4.8 million of net income.

During the fourth quarter of 2010 we opened a loan production office in Cortland, NY.

During the last ten years we have expanded our geographic footprint from five locations in Chemung County to thirteen locations in Chemung, Cayuga, Cortland, Schuyler, Steuben, and Tompkins Counties. The transformation that has occurred at the bank during the last decade is a credit to the clear strategic direction established by our Board of Directors and the ability of management and employees to execute.

Community banking is about customer; service, convenience, and relationships. During the past ten years we have continued to develop our customer service level. We continue to focus on enhancement of our service through training, the setting of high expectations, and positive reinforcement of the desired behavior.

Our dedication to enhancing our customer convenience is evidenced through the aforementioned expansion of our brick and mortar delivery channels, the inclusion of our bank ATM's in a network of tens of thousands

of ATM's nationwide that customers can access without a surcharge, the implementation of statement delivery through email, and most recently the introduction of our mobile banking product that allows our customers to receive notifications, access information, and execute transactions with cell phones and smart phone devices. During 2010 we also began to reach out to our customers with the introduction of our Facebook page and the unveiling of our quarterly newsletter, "The Advisor."

As we move forward into 2011 we remain focused on enhancing total return to our shareholders. We will continue to focus on mortgage production which creates viable assets for our balance sheet and noninterest income through the sale of many of these loans to the secondary market.

Over the last several months of 2010 we began to notice more optimism in our local economy, primarily due to the positive economic activity surrounding the newly constructed CVS Distribution Center, the rapid growth of Sikorsky Aircraft, and the development of Marcellus Shale gas deposits near the New York and Pennsylvania borders. In light of these positive factors we look forward to developing new commercial lending relationships over the next several years.

Within our branches we will focus on growing core deposits particularly in our new markets, which we believe are critical to the creation of franchise value. We will also be dedicated to providing the highest level of customer service available in our markets.

I would like to thank two of our recently retired directors for their service on our Board of Directors. Thomas D. Morse served as a director from 1990 to 2010 and Jerry B. Gapp served for seven years. Their dedication and support over their combined 27 years is appreciated.

In closing, I would like to thank our dedicated and professional employees who produced these meaningful results over the past decade and who remain committed to carrying out our well defined strategy into the future. Lastly, I would like to thank our loyal shareholders for their continued confidence. Your interests remain at the top of our minds.



Michael P. Hosey
President
Chief Executive Officer



Consolidated Balance Sheets

The Elmira Savings Bank, FSB and Subsidiaries

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

	December 31, 2010	December 31, 2009
ASSETS		
Cash and due from banks	\$ 21,896	\$ 50,016
Federal funds sold and other short-term investments	821	822
Total cash and equivalents	22,717	50,838
Securities available for sale, at fair value	126,212	101,931
Securities held to maturity - fair value of \$5,346 at December 31, 2010, and \$4,602 at December 31, 2009	5,006	4,440
Federal Home Loan Bank stock, at cost	4,241	4,528
Loans receivable	310,477	307,616
Less: Allowance for loan losses	2,909	3,139
Net Loans	307,568	304,477
Premises and equipment, net	5,537	5,666
Bank-owned life insurance	9,731	7,808
Accrued interest receivable	1,807	1,951
Intangible assets, net	594	766
Goodwill	12,320	12,320
Other real estate owned	541	536
Other assets	3,565	3,722
Total assets	\$ 499,839	\$ 498,983
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	\$ 356,621	\$ 352,591
Borrowings	81,093	87,162
Other liabilities	5,674	4,684
Total liabilities	443,388	444,437
SHAREHOLDERS' EQUITY:		
Preferred stock, \$1,000 liquidation value per issued share; 5,000,000 shares authorized; 19,090 shares issued at December 31, 2010 net of discount of \$252; 19,090 shares issued at December 31, 2009 net of discount of \$336	18,481	18,397
Common stock, \$1 par value; authorized 5,000,000 shares; 2,089,995 shares issued at December 31, 2010 and 2,043,981 at December 31, 2009	2,090	2,044
Additional paid-in capital	35,065	34,699
Retained earnings	3,353	1,539
Treasury stock, at cost - 125,865 shares at December 31, 2010 and December 31, 2009	(3,548)	(3,548)
Accumulated other comprehensive income	958	1,361
Total Elmira Savings Bank shareholders' equity	56,399	54,492
Noncontrolling interest	52	54
Total shareholders' equity	56,451	54,546
Total liabilities and shareholders' equity	\$ 499,839	\$ 498,983

Consolidated Statements of Income

The Elmira Savings Bank, FSB and Subsidiaries

(in thousands, except for per share amounts)

	Years Ended December 31		
	2010	2009	2008
INTEREST AND DIVIDEND INCOME:			
Interest and fees on loans	\$ 18,185	\$ 19,842	\$ 20,079
Interest and dividends on securities			
Taxable	3,681	4,534	4,421
Non-taxable	822	765	728
Total interest and dividend income	22,688	25,141	25,228
INTEREST EXPENSE:			
Interest on deposits	4,564	6,075	8,912
Interest on borrowings	3,205	3,363	2,546
Total interest expense	7,769	9,438	11,458
Net interest income	14,919	15,703	13,770
Provision for loan losses	515	592	919
Net interest income after provision for loan losses	14,404	15,111	12,851
NONINTEREST INCOME:			
Service fees	1,731	2,011	1,986
Gain on sale of loans held for sale	1,128	1,288	545
Gain on sale of branch	-	-	1,651
Net gain on sale of securities	474	63	380
Other service fees	620	635	676
Earnings on bank-owned life insurance	353	378	279
Other	287	263	228
Total noninterest income	4,593	4,638	5,745
NONINTEREST EXPENSE:			
Salaries and benefits	6,007	6,544	7,307
Net occupancy	1,102	1,243	1,371
Equipment	924	988	962
Professional fees	654	670	870
Regulatory assessments	574	899	454
Marketing and public relations	483	502	749
Data processing	328	390	458
Telephone	220	204	210
Directors' fees	212	218	211
Amortization of intangible assets	172	220	320
Printing and supplies	142	166	224
Postage	108	153	192
Other	933	873	968
Total noninterest expense	11,859	13,070	14,296
Income before income taxes	7,138	6,679	4,300
Income taxes	2,300	2,148	1,277
Net income	\$ 4,838	\$ 4,531	\$ 3,023
Less: Net income attributable to noncontrolling interest	5	5	5
Net income attributable to Elmira Savings Bank	\$ 4,833	\$ 4,526	\$ 3,018
Dividend on preferred stock	1,367	1,325	914
Accretion of preferred stock discount	84	85	3
Income available to common shareholders	\$ 3,382	\$ 3,116	\$ 2,101
Basic earnings per common share	\$ 1.75	\$ 1.62	\$ 1.10
Diluted earnings per common share	\$ 1.72	\$ 1.60	\$ 1.09

Consolidated Statement of Shareholders' Equity

The Elmira Savings Bank, FSB 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, 2009	\$18,397	2,044	34,699	1,539	(3,548)	1,361	54	54,546
Comprehensive Income:								
Net unrealized loss on securities available for sale, net of reclassification adjustment, net of tax benefit of \$255	-	-	-	-	-	(403)	-	(403)
Net Income	-	-	-	4,833	-	-	5	4,838
Total Comprehensive Income								4,435
Stock based compensation expense	-	-	392	-	-	-	-	392
Issuance of common shares (43,258 shares)	-	43	(43)	-	-	-	-	-
Exercise of stock options, net (2,756 shares)	-	3	17	-	-	-	-	20
Accretion of discount on preferred stock	84	-	-	(84)	-	-	-	-
Preferred stock repurchased - noncontrolling interest	-	-	-	-	-	-	(2)	(2)
Cash dividend on preferred stock	-	-	-	(1,367)	-	-	(5)	(1,372)
Cash dividend on common stock (\$.80 per share)	-	-	-	(1,568)	-	-	-	(1,568)
Balance at December 31, 2010	\$18,481	2,090	35,065	3,353	(3,548)	958	52	56,451

To the Board of Directors and Shareholders

The Elmira Savings Bank, FSB

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Elmira Savings Bank, FSB (the "Bank") and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, shareholders' equity, and cash flows (not presented herein) for the years then ended, and in our report dated March 22, 2011, we expressed an unqualified opinion on those consolidated financial statements. The consolidated financial statements of the Bank for the year ended December 31, 2008, were audited by other auditors whose report, dated March 25, 2009, expressed an unqualified opinion on those 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.

A. N. Smolynski, A.C.
Wexford, Pennsylvania
March 22, 2011

Retired Directors



Thomas D. Morse

The Elmira Savings Bank is pleased to honor twenty-seven years of outstanding service by its retiring Directors, Thomas D. Morse and Jerry B. Gapp.

Mr. Morse joined the Bank's Board of Directors in 1990. Through his business acumen developed as President and now Chairman of LaFrance Equipment, combined with his participation on the Schweizer Aircraft Corp. and F. M. Howell Boards of Directors, Tom has provided inspired leadership to our institution.

Mr. Gapp joined the Bank's Board of Directors in 2003 and was named the Board of Directors' financial expert based on his public accounting experience as a CPA, combined with his experience as CFO at Elmira College. Jerry's expertise in accounting and financial statement analysis has been integral to our institution keeping pace with stringent regulatory requirements.

Our customers, shareholders, employees, and community have all benefited from the leadership of Thomas D. Morse and Jerry B. Gapp.



Jerry B. Gapp

Directors

George L. Howell
Chairman of the Board
F.M. Howell & Company

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

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

Anthony J. Cooper
Arnot Ogden Medical Center

Jerry B. Gapp
Retired CPA & VP Finance
Elmira College

Michael P. Hosey
President
Chief Executive Officer
Elmira Savings Bank, FSB

Thomas D. Morse
LaFrance Equipment
Corporation

Kristin A. Swain
Corning Incorporated
Foundation

A. Scott Welliver
Welliver McGuire, Inc.

Cornelius J. Milliken
Director Emeritus

Officers

EXECUTIVE
Michael P. Hosey
President
Chief Executive Officer

Thomas M. Carr
Executive Vice President
Chief Operating Officer

Shirley A. Weigand
Assistant Secretary

AUDIT AND CONTROL
Edith B. Keebler
Assistant Treasurer

Jill M. McConnell
Assistant Secretary

COLLECTIONS
Valerie S. Stickler
Assistant Vice President

FINANCE
Jason T. Sanford
Senior Vice President
Chief Financial Officer

Keith A. Martin
Vice President
Controller

John J. Stempin
Assistant Secretary

HUMAN RESOURCES
Bradley V. Serva
Vice President

LENDING
Kevin J. Berkley
Senior Vice President

Gary O. Short
Senior Vice President

Jeffrey Dobbin
Vice President

Tamara S. Pabis
Vice President

Susan M. Cook
Assistant Vice President

Jennifer M. Murphy
Assistant Secretary

Carrie L. Spencer
Assistant Secretary

Amy Ward
Assistant Treasurer

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 Secretary

RETAIL SERVICES
Donna J. Tangorre
Vice President

Deborah L. Adams
Assistant Vice President

Kimberly A. Elliott
Assistant Vice President

Janette Allen
Assistant Treasurer

Ashley A. Case
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

ADVISORY SERVICES, INC.
Vincent Mazzealla
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 2010 and 2009.

Quarters	2010		2009	
	High	Low	High	Low
First	17.20	14.61	12.99	7.15
Second	17.20	14.88	16.88	10.02
Third	17.00	15.15	16.80	13.50
Fourth	18.50	15.33	16.75	13.37



ANNUAL SHAREHOLDERS' MEETING

The Annual Shareholders' Meeting will be held at 10 a.m. on April 26, 2011 at the Elmira Country Club
1538 West Church Street
Elmira, NY

SHAREHOLDER INQUIRIES

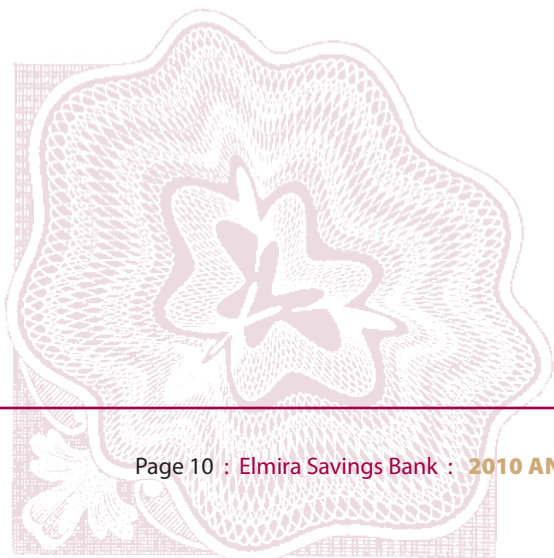
The bank's transfer agent is:
Registrar and Transfer Company
10 Commerce Drive
Cranford, NJ 07016
(800) 525-7686

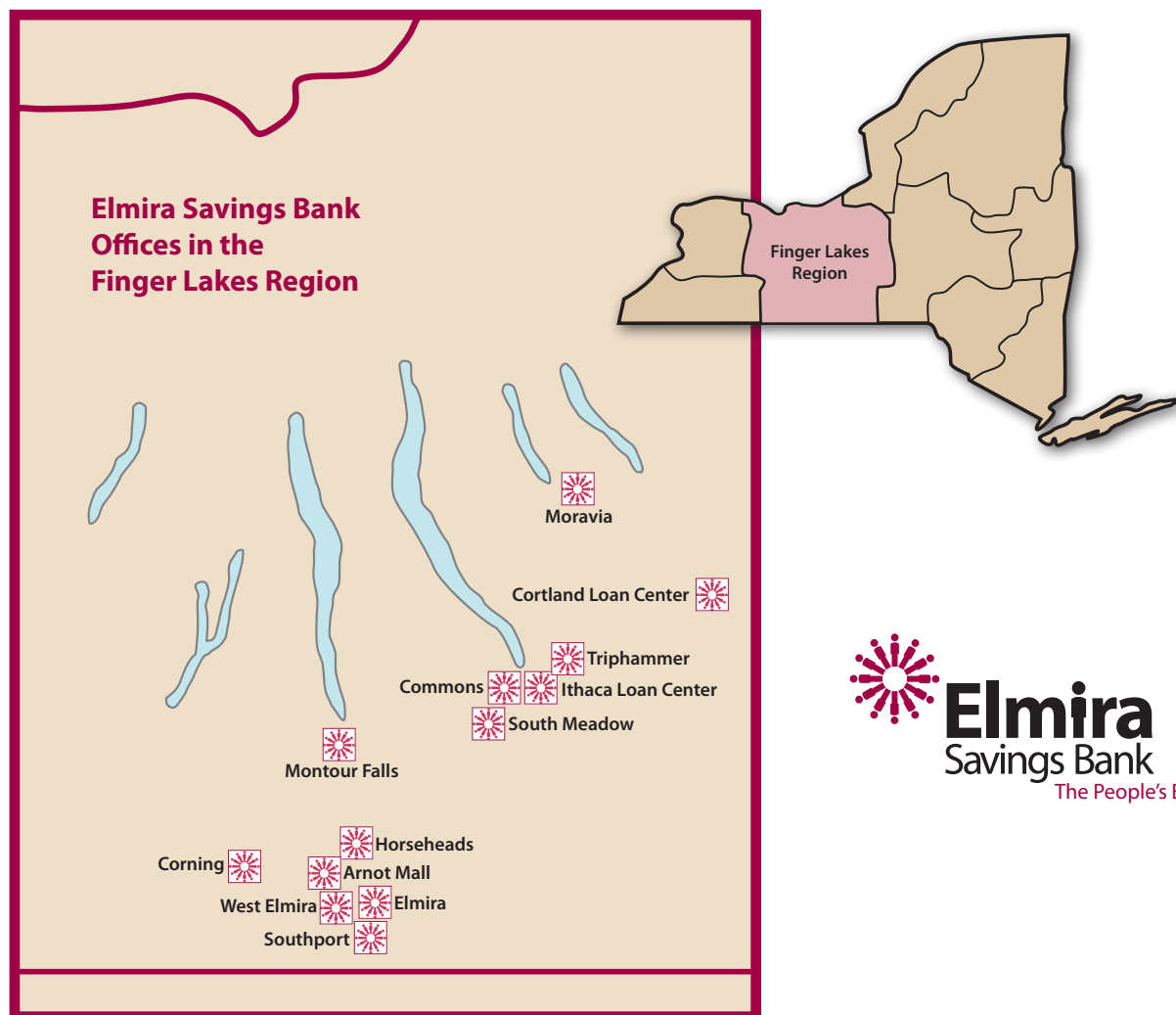
The bank's Annual Report on form 10-K will be furnished without charge upon written request to:

Thomas M. Carr
Executive Vice President
Chief Operating Officer
Elmira Savings Bank, FSB
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





MAIN OFFICE

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

WEST ELMIRA OFFICE

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

SOUTHPORT OFFICE

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

HORSEHEADS OFFICE

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

ARNOT MALL OFFICE

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

CORNING OFFICE

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

ITHACA LOAN CENTER

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

COMMONS OFFICE

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

SOUTH MEADOW OFFICE

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

TRIPHAMMER OFFICE

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

MORAVIA OFFICE

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

MONTOUR FALLS OFFICE*

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

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



www.elmirasavingsbank.com
www.facebook.com/elmirasavingsbankfsb

Member FDIC | Equal Housing Lender