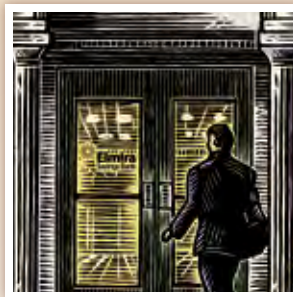




COMMUNITY



BUSINESS



FAMILY



Elmira
Savings Bank

2007 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 meets 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; and
- Independence as a local community bank.

Financial Statement Highlights

(dollars in thousands, except for per share amounts)

	2007	2006
Assets	\$ 453,687	371,420
Loans	299,887	226,381
Allowance for loan losses	2,478	1,665
Deposits	356,424	288,772
Shareholders' equity	41,019	24,634
Net interest income	10,552	9,858
Provision (credit) for loan losses	525	(290)
Non-interest income	2,559	1,013
Non-interest expense	9,799	8,863
Net income	2,095	1,694

PER SHARE INFORMATION

Basic earnings per share	\$ 1.34	1.16
Diluted earnings per share	1.33	1.15
Book value per share	18.04	16.84
Cash dividend per share	0.83	0.72

SELECTED RATIOS

Return on average assets	0.54%	0.49%
Return on average equity	7.85%	7.30%
Shareholders' equity to assets	9.04%	6.63%
Dividend payout ratio	61.94%	62.07%

OTHER SELECTED DATA

Number of offices	12	8
Number of automated teller machines	11	7
Weighted average shares outstanding	1,478,594	1,457,084
Weighted average diluted shares outstanding	1,487,889	1,468,365

Share and per share data have been adjusted to reflect the 10% stock dividend distributed on June 22, 2007.

TOTAL ASSETS



TOTAL NET LOANS



TOTAL DEPOSITS



TO OUR SHAREHOLDERS

I am pleased to report that 2007 was highlighted with significant growth in our balance sheet and customer base. Total assets grew \$82.3 million, or 22.1%. This was primarily composed of a \$73.5 million increase in outstanding loans, or 32.5%.

Total deposits increased by \$67.7 million, or 23.4%. Our branch network expanded by four new locations to total 11 full-service branches.

Net income for 2007 totaled \$2.1 million, or \$1.33 per diluted share, compared with \$1.7 million, or \$1.15 per diluted share, in 2006.

The nature of our community banking business and investment strategies resulted in Elmira Savings Bank having no significant exposure to the subprime mortgage problems that have plagued the industry and economy.

We have achieved growth through a mix of strategies: capitalizing on expansion opportunities in contiguous markets, expanding our relationships with existing customers, and attracting new customers away from competitors.

Customer Service: Our Cornerstone

Customer service is the cornerstone of what we do, and the professionals who provide that service are considered our most important asset.

To ensure that we understand the needs of our customers, we invest in measuring customer satisfaction throughout the year. This information is valuable in uncovering the priorities and expectations of our customers and serves as a key measure of our ongoing performance in the area of customer service.



Michael P. Hosey
PRESIDENT & CHIEF EXECUTIVE OFFICER

This utilization of satisfaction measurement has revealed a consistent pattern of improvement, tangible evidence that our customer focus has a direct bearing on brand loyalty.

We use our customer research to identify what we are doing well, where we need to improve, and how to allocate our resources to best meet customer needs.

This effort is lead by our Service Team. This team is comprised of a cross section of employees, who have had a powerful influence on creating a distinctive brand image for Elmira Savings Bank.

The Service Team focuses on creating a heightened level of baseline customer service, while developing an environment where employees feel comfortable providing a truly remarkable customer experience. The team has forwarded these goals through the implementation of basic service enhancements in combination with driven enthusiasm for success.

Leveraging Employee Initiative

At Elmira Savings Bank, our focus on customer service is not just woven into a mission statement; it is reinforced daily by our employees.

Our staff is willing to take responsibility for the customer experience and to do what it takes to make the experience a positive one.

Our success in this regard stems from the caliber of our people and assuring the right people are in the right positions. We encourage our employees to use their initiative and create an environment for doing so.

Customer service standards at Elmira Savings Bank are high, yet our employees still find ways to exceed them.

Our business banking team believes that “doing what’s expected” is just a good place to start. Their ability to identify customer needs and craft custom solutions that meet them differentiates us in the marketplace.

Our achievement is especially gratifying given our presence in a mature market where much of our growth hinges on either expanding relationships with existing customers or giving non-customers a reason to switch to us from competitors.



Bill Hodel (right), head of commercial banking, and developer J. D. Young visit the restored Henkel building in downtown Corning. In addition to state and local restoration grants, Elmira Savings Bank provided financing to renovate the historic building.

Mortgage banker Kevin Berkley (above) and commercial officer Jeff Dobbin (below) are among the new faces who now represent us in Ithaca. Pictured with Kevin Berkley, Melissa Wright (left) and Tammy Barker (right).



A GROWING MARKET
More than 30 percent of Ithaca residents are young adults just entering their prime earning years.



To Ithaca and Beyond

Though pleased with our performance in core markets, we have continued to investigate opportunities to expand our footprint into adjacent markets that could benefit from our community banking philosophy.

For some time now, Ithaca and surrounding communities have been of strategic interest. Tompkins County, which is adjacent to our core service area in Chemung County, offers a vibrant growth market, partially because it is home to both Cornell University and Ithaca College.

In 2007 an opportunity arose: First Niagara Bank agreed to sell us four branches in Ithaca and the surrounding area.

We feel Ithaca and Moravia are ideally suited for our franchise expansion because of their location adjacent to our core markets. Additionally, the four branches are in prime locations with a seasoned staff, making their acquisition far more attractive financially than other expansion alternatives.



AN ENTREPRENEURIAL MARKET
Ithaca and Moravia are home to nearly
1,800 small businesses.

A PROFESSIONAL MARKET
Professionals comprise nearly half
of Ithaca's working population.

We completed the acquisition in December, a transaction that increased our deposit base by \$78.9 million, while adding \$28.1 million to our commercial loan portfolio and \$8.2 million in consumer loans.

We are delighted to extend our footprint into neighboring Tompkins and Cayuga counties and are confident our customer-focused approach will be successful in these communities.

With our purchase of the four branches, Elmira Savings Bank now operates 11 banking offices: three in Elmira; three in Ithaca; two in Horseheads; and one each in Corning, Moravia, and Mansfield, Pennsylvania.

Managing the Transition

The transition of the new branches into the Elmira system has proceeded well due to a comprehensive conversion plan we began implementing as soon as it became apparent the acquisition would take place.

Our conversion plan was designed to integrate the new branches into Elmira Savings Bank's culture, while ensuring that our new customers felt comfortable with the change.

We retained all employees in the new branches and began training them before the sale became final. Like all new Elmira Savings Bank employees, they are required to adhere to our customer service expectations.

A large part of our planned success involves tapping into the growth potential of this new market. Toward that end, we are pursuing an aggressive marketing campaign to raise awareness of Elmira Savings Bank. The theme of "Changes" was launched in December 2007 to communicate the tangible ways in which we can help customers "Do More" and "Do Better" with their money.

This marketing program will continue throughout 2008 as we seek to grow our franchise by communicating the benefits of our community banking approach.



A multi-departmental conversion team helped ensure a smooth transition for customers and staff. Pictured left to right, Amy Davis, Jim Pollen, Janet Wells, Peggy Phillips, Gary Short, Donna Tangorre, Pat Phillips, Laurel Mareck, Renee Wheeler, Joe Walker, Tammy Pabis, Frank Spena. Unavailable: Phil Collins, Kim Elliott, Brad Serva

Recently promoted to Executive Vice President and Chief Operating Officer, Thomas Carr (left) coordinated the acquisition and assimilation of the four branches in central New York.

A Future of Opportunity

Considering the potential of promising new markets, it is easy to conclude that opportunity is knocking at Elmira Savings Bank.

Due to a great staff, promising new markets, and a customer-first approach to community banking, opportunity is knocking at Elmira Savings Bank.

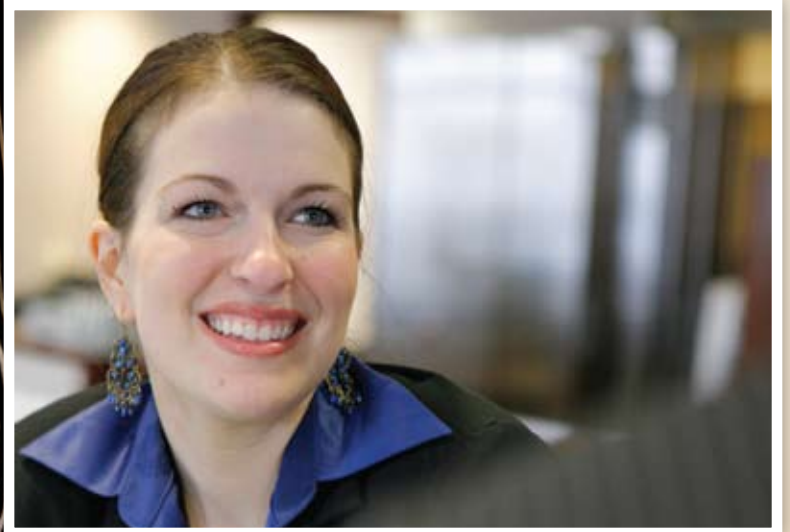
Though our strategies may change, the fundamentals that have proven successful for us remain the same: our focus on providing excellent customer service, our willingness to act decisively when new opportunities arise, and our commitment to provide above-average returns to our shareholders.

We respectfully thank you for your support, and we pledge to continue working diligently on behalf of our shareholders, customers, employees, and communities.

Michael P. Hoxey

Michael P. Hoxey
President and Chief Executive Officer

Service that seeks to make each customer interaction better than the last has helped us achieve measurable increases in customer satisfaction. Pictured below, Amanda Sundquist, Branch Manager.



CONSOLIDATED BALANCE SHEETS

IN THOUSANDS EXCEPT FOR SHARE AND PER SHARE AMOUNTS

DECEMBER 31

	2007	2006
Assets		
Cash and due from banks	\$ 17,958	\$ 19,632
Federal funds sold and other short-term investments	12,000	-
Total cash and equivalents	29,958	19,632
Securities available for sale, at fair value	88,670	91,846
Securities held to maturity, fair value of \$7,256 at December 31, 2007 and \$7,850 at December 31, 2006	7,273	7,959
Federal Home Loan Bank stock, at cost	2,748	2,903
Loans held for sale	95	-
Loans receivable, net	299,887	226,381
Less: Allowance for loan losses	2,478	1,665
Net loans	297,409	224,716
Premises and equipment, net	6,165	5,442
Bank-owned life insurance	4,150	3,984
Accrued interest receivable	2,103	1,753
Intangible assets, net	1,306	241
Goodwill	12,295	-
Other real estate owned	7	178
Due from brokers for security sales	-	11,000
Other assets	1,508	1,766
Total assets	\$453,687	\$371,420
Liabilities and Shareholders' Equity		
Deposits	\$356,424	\$288,772
Borrowings	52,776	55,846
Other liabilities	3,468	2,168
Total liabilities	412,668	346,786
Shareholders' equity:		
Preferred stock, \$1,000 liquidation value per share; authorized 10,000 shares; 10,000 shares issued at December 31, 2007;	9,700	-
Common stock, \$1 par value; authorized 5,000,000 shares; 1,869,350 shares issued at December 31, 2007; and 1,443,022 shares at December 31, 2006	1,869	1,443
Additional paid-in capital	34,075	25,000
Retained (deficit) earnings	(545)	2,049
Treasury stock, at cost - 133,000 shares at December 31, 2007 and 112,647 at December 31, 2006	(3,751)	(3,145)
Accumulated other comprehensive loss, net of taxes	(329)	(713)
Total shareholders' equity	41,019	24,634
Total liabilities and shareholders' equity	\$453,687	\$371,420

CONSOLIDATED STATEMENTS OF INCOME

IN THOUSANDS EXCEPT FOR PER SHARE AMOUNTS	YEARS ENDED DECEMBER 31		
	2007	2006	2005
Interest and dividend income:			
Interest and fees on loans	\$16,466	\$13,869	\$12,430
Interest and dividends on securities			
Taxable	5,439	4,550	4,092
Non-Taxable	824	607	295
Total interest and dividend income	22,729	19,026	16,817
Interest expense:			
Interest on deposits	9,087	6,545	4,554
Interest on borrowings	3,090	2,623	2,008
Total interest expense	12,177	9,168	6,562
Net interest income	10,552	9,858	10,255
Provision (credit) for loan losses	525	(290)	155
Net interest income after provision (credit) for loan losses	10,027	10,148	10,100
Noninterest income:			
Service fees	1,329	1,240	1,210
Gain on sale of loans held for sale	53	95	182
Gain on sale of FDIC net assessment credits	185	-	-
Net gain (loss) on sale of securities	210	(916)	31
Other service fees	471	412	368
Bank-owned life insurance	167	154	150
Gain on elimination of Post Retirement Benefit Plan	-	-	633
Other	144	28	8
Total noninterest income	2,559	1,013	2,582
Noninterest expense:			
Salaries and benefits	5,137	4,444	4,295
Net occupancy	870	796	810
Equipment	822	856	813
Marketing and public relations	571	444	487
Professional fees	549	488	525
Data Processing	438	370	346
Directors fees	205	184	178
Printing and supplies	203	172	154
Telephone	161	148	155
Postage	125	122	118
Regulatory assessments	127	114	113
Amortization of intangible assets	127	107	107
Other	464	618	447
Total noninterest expense	9,799	8,863	8,548
Income before income taxes	2,787	2,298	4,134
Income taxes	692	604	1,352
Net income	\$ 2,095	\$ 1,694	\$ 2,782
Basic earnings per share	\$ 1.34	\$ 1.16	\$ 1.91
Diluted earnings per share	\$ 1.33	\$ 1.15	\$ 1.89

Per share data has been restated to reflect a 10% stock dividend paid on June 22, 2007.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

IN THOUSANDS EXCEPT FOR SHARE AND PER SHARE AMOUNTS	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED (DEFICIT) EARNINGS	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL
Balance at December 31, 2006	-	\$1,443	25,000	2,049	(3,145)	(713)	24,634
Comprehensive Income:							
Change in net unrealized loss on securities available for sale, net of taxes of \$202	-	-	-	-	-	384	384
Net Income	-	-	-	2,095	-	-	<u>2,095</u>
Total Comprehensive Income							2,479
10% Stock dividend (131,770 shares)	-	132	3,163	(3,295)	-	-	-
Stock based compensation expense	-	-	161	-	-	-	161
Exercise of stock options, net (7,182 shares)	-	7	119	-	-	-	126
Common Stock Issued (287,376 shares)	-	287	5,632	-	-	-	5,919
Preferred Stock Issued (10,000 shares)	9,700	-	-	-	-	-	9,700
Cash in lieu of fractional shares resulting from a 10% stock dividend	-	-	-	(4)	-	-	(4)
Purchase of Treasury Stock (20,353 shares)	-	-	-	-	(606)	-	(606)
Cash dividend on preferred stock	-	-	-	(110)	-	-	(110)
Cash dividend on common stock (\$.83 per share)	-	-	-	(1,280)	-	-	(1,280)
Balance at December 31, 2007	9,700	\$1,869	34,075	(545)	(3,751)	(329)	41,019

The Board of Directors and Shareholders of 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 and subsidiaries (the Bank) as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2007 (not presented herein); and in our report dated March 27, 2008, we expressed an unqualified opinion on those consolidated financial statements. Our report refers to the Bank's adoption of Statement of Financial Accounting Standards No. 123R, *Share-Based Payment*, as of January 1, 2006.

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

KPMG LLP

March 27, 2008
Syracuse, New York

BOARD OF DIRECTORS & OFFICERS

Directors

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

John "Skip" 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
Coming 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
and Chief Financial Officer

Shirley A. Weigand
Assistant Secretary

Collections

Mark A. Terpolilli
Assistant Vice President

Finance

J. Patrick Phillips
Vice President
Treasurer

Human Resources

Bradley V. Serva
Vice President

Lending

Kevin J. Berkley
Senior Vice President

William M. Hodel
Senior Vice President

Gary O. Short
Senior Vice President

James A. Berry
Vice President

Jeffrey Dobbin
Vice President

Tamara S. Pabis
Vice President

Susan M. Cook
Assistant Vice President

Marley J. Wylie
Assistant Secretary

Management Information Systems

Joseph L. Walker
Vice President

Phillip J. Collins
Assistant Treasurer

Operations

Margaret A. Phillips
Vice President

Retail Services

Alfred A. Dupuis
Vice President

Sarah J. Ellsworth
Vice President

Donna J. Tangoroe
Vice President

Kimberly A. Elliott
Assistant Vice President

Deborah L. Adams
Assistant Treasurer

Genevieve A. Denton
Assistant Treasurer

Darcy L. Duguid
Assistant Treasurer

Wendy A. Moses
Assistant Treasurer

Brenda S. Robinson
Assistant Treasurer

Amanda R. Sundquist
Assistant Treasurer

Julie L. Tenney
Assistant Treasurer

Sales & Marketing

Janet M. Wells
Senior Vice President

Market Price Information

The bank's common stock was first offered in March 1985, and is 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 2007 and 2006, and includes the effect of a 10 percent stock dividend distributed to shareholders of record on June 22, 2007.

QTR	2007		2006	
	HIGH	LOW	HIGH	LOW
1st	30.24	25.97	24.46	23.16
2nd	27.51	22.51	27.51	23.39
3rd	23.87	19.25	30.98	26.00
4th	21.98	18.50	31.81	28.75

Annual Shareholders Meeting

The Annual Shareholders' Meeting will be held at 10 a.m. on April 29, 2008 at the Elmira Country Club, 1538 West Church Street, Elmira, NY.

Shareholder Inquiries

The bank's transfer agent is:

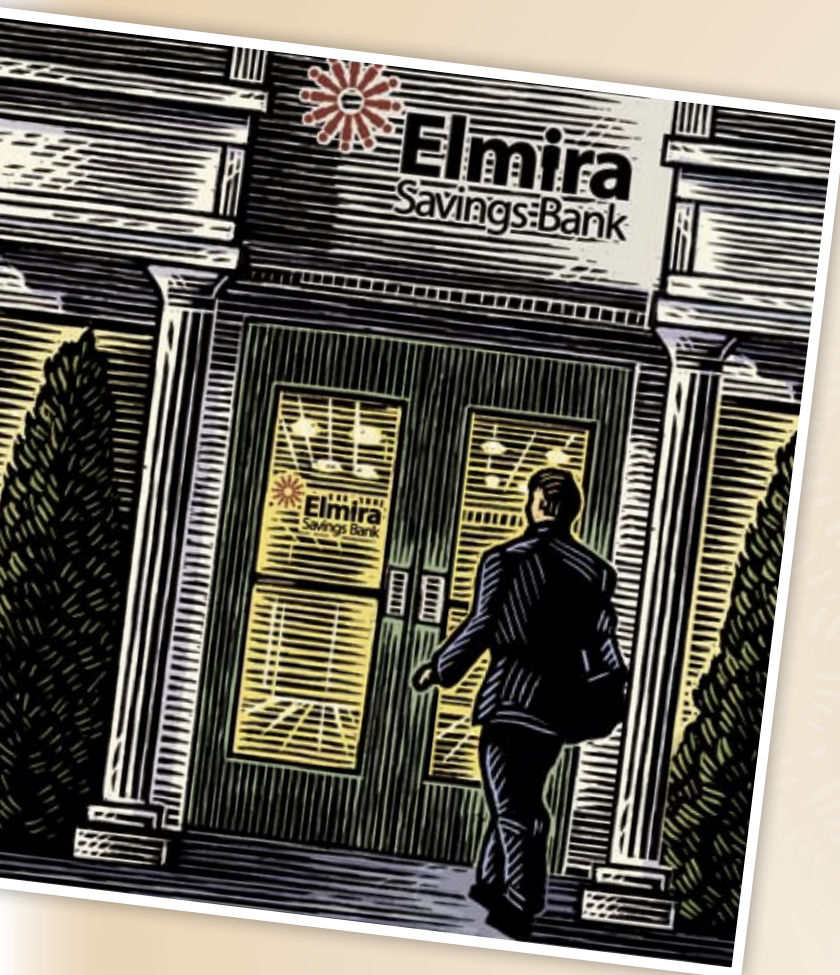
Computershare Trust Company
350 Indiana Street
Golden, CO 80201
(303) 262-0600

The bank's Annual Report on form 10K 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



OFFICES

Main Office

333 E. Water Street,
Elmira, New York 14901
(607) 734-3374

Horseheads Office

2149 Grand Central Avenue
Horseheads, New York 14845
(607) 734-3374

Southport Office

1136 Pennsylvania Avenue
Elmira, New York 14904
(607) 734-3374

West Elmira Office

930 W. Church Street
Elmira, New York 14905
(607) 734-3374

Arnot Mall Office

Entrance 4 - Center Court
Horseheads, New York 14845
(607) 734-3374

Mansfield Office

1485 S. Main Street
Mansfield, Pennsylvania 16933
(570) 662-1227

Corning Office

19 E. Market Street - Suite 101
Corning, New York 14830
(607) 962-0812

Ithaca Loan Center

840 Hanshaw Road
The Villiage Green, Suite 5
Ithaca, New York 14850
(607) 257-3584

Commons Office

301 E. State Street
Ithaca, New York 14850
(607) 272-1111

South Meadow Office

701 S. Meadow Street
Ithaca, New York 14850
(607) 272-2211

Triphammer Office

2300 N. Triphammer Road
Ithaca, New York 14850
(607) 257-8808

Moravia Office

142 Main Street
Moravia, New York 13118
(315) 497-1300



ACKNOWLEDGEMENTS

Image Art

Scott Sawyer
Scott Sawyer Illustration
San Francisco, California

Photography

Tom A. Mike
Horseheads, New York

Design

Galapagos LLC
Grand Rapids, Michigan



The People's Bank
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